Agricultural policies in France: from EU regulation to national design.

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Foreword

Within its research on the agricultural policy changes in Poland, the Institute of Agricultural and Food Economics (IERiGŻ) in Warsaw, Poland, is conducting a programme aiming at identifying the possibilities to design a national agricultural policy compliant with the CAP requirements.

In order to successfully design the best suitable policy, a specific attention is paid on experiences and lessons from other Member States. For that purpose, IERiGŻ asked experts from some Member States to provide relevant expertises targeting the national options chosen to implement the CAP (including rural development policy), considering not only the means but also financing resources and procedures to achieve the national agricultural goals.

The present document finds its roots within this scope and thus presents the French way EU agricultural policies have been, are, and will be, implemented.

For a better understanding a review of the CAP foundations is firstly provided in order to address the historic issues of the evolution of European agricultural policies.

Then, main agricultural highlights of the French situation are briefly depicted, in order to better frame the two head points that are the French translation of markets policy on the one hand and of rural development on the other hand.

Both issues are policy-oriented and sketches of national underlying strategies are given whenever the available data were relevant enough.

I. Background

I.1. CAP foundations and concepts

The creation of a common agricultural policy (CAP) was initially proposed in 1960 by the European Commission (EC) when the founding members of the European Community (i.e. France, Germany, Italy, the Netherlands, Belgium, and Luxembourg) had just emerged from over a decade of severe food shortages during, and particularly after, the Second World War. France, in particular, had a strong interest in boosting its economic development on the basis of agriculture. It followed the signing of the Treaty of Rome in 1957, which established the Common Market. This intervention posed an obstacle to free trade in goods while the rules continued to differ from state to state, since freedom of trade would interfere with the intervention policies. Some Member States, in particular France, and all farming professional organisations wanted to maintain strong state intervention in agriculture. This could therefore only be achieved if policies were harmonised and transferred to the European Community level. By 1962 (date from which the CAP came into force), three major principles had been established to guide the CAP: market unity, community preference and financial solidarity. The CAP is often explained as the result of a political compromise between France and Germany: German industry would have access to the French market; in exchange, Germany would help pay for France's farmers.

The initial objectives were set out in Article 39 of the Treaty of Rome, and are:

1. to increase productivity, by promoting technical progress and ensuring the optimal use of the factors of production, in particular labour;
2. to ensure a fair standard of living for the Community's agriculture;
3. to stabilise markets;
4. to secure availability of supplies;
5. to provide consumers with food at reasonable prices.

These objectives are rather vague (e.g. what is meant by productivity?) and for some of them contradictory (e.g. is it possible to increase productivity and to ensure a faire revenue for farmers at the same time?), but the key idea was simply to increase domestic food production in order to bring to an end the post-war system of ration coupons.

To this end, it was decided that domestic production would be encouraged by a system of guaranteed prices, imports would be discouraged by import tariffs, and incentives to exports would be given via export subsidies. CAP is therefore an integrated system of measures which works by maintaining commodity price levels within the European Union (EU) and by subsidising domestic production, with the following main mechanisms:

- Import tariffs are applied to specified goods imported into the EU. The target price is chosen as the maximum desirable price for those goods within the EU. On the other hand, export subsidies are provided.
- An internal intervention price is set (guaranteed price). If the domestic market price falls below the intervention level, then the EU will buys up goods in order to raise the price to the intervention level.
- Until the last decade, subsidies used to be paid to farmers growing particular crops. This was intended to encourage farmers to choose to grow those crops attracting subsidies and to maintain home-grown supplies.
- Production quotas and 'set-aside' payments were introduced in the 1980s in an effort to prevent overproduction of some commodities (for example, milk, grain) that attracted subsidies well in excess of market prices.

Quotas and set-aside requirements are part of the recent reforms of the CAP. Although it became clear at an early stage (e.g. see below the Mansholt Plan) that the above system that combines guaranteed price, import tariffs and export subsidies, would soon become inappropriate for the EU who would have to face increased production and thus increased expenditures to agriculture (in the form of purchases at the guaranteed price, storage cost for the purchased commodities, and export subsidies), it was not until the 1990es that reforms were really implemented. Several reasons can explain this.

Firstly, the Agricultural Council, which is the main decision-making body for CAP affairs, is dextrously manipulated by those states that hold the CAP most dearly, such as France. Over the years, French governments have always been resolute to keep as high as possible the financial returns to agriculture from the EU.

Secondly, outside Brussels proper, the farming lobby's power has been a crucial factor determining the EU agricultural policy since the earliest days of integration. On a political economy point of view, it is not difficult to understand why the producers' lobby has been so powerful: it is better organised than the lobbies for the three other groups of stakeholders, namely (i) the consumers, who are too numerous to organise themselves; (ii) the taxpayers, who are not able to get in touch with each other; and (iii) the environmentalists, who appeared not long ago in the decision-making sphere. However, the farming lobby's power has decreased markedly since the 1980s, due to the decrease in the number of farmers, but even today some attempts at reform are prevented by this group.

Thirdly, it is only recently that new actors have entered the political sphere: the environmentalists, following the increase of environmental issues caused by the CAP, and the third-party countries, who press for agricultural policy reforms during international negotiations (e.g. WTO).

The main steps in the CAP evolution are the Mansholt Plan in the 1960s, which did not result in strong alterations of the policy, and several successive reforms since the 1990s (MacSharry reform, Agenda 2000, Luxembourg reform, post-2003 reforms), whose main idea is to progressively replace guaranteed prices by decoupled payments, and introduce payments based on environment or quality.

◊ **The Mansholt Plan**

The Mansholt Plan was a 1960s idea that sought to remove small farmers from the land and to consolidate farming into a larger and a more efficient industry. On 21 December 1968, Sicco Mansholt, European Commissioner for Agriculture, sent a memorandum to the Council of Ministers concerning agricultural reform in the European Community. This long-term plan, also known as the '1980 Agricultural Programme' laid the foundations for a new social and structural policy for European agriculture.

Although established not long after the creation of the CAP, the Mansholt Plan already noted the limits to a policy of price and market support. It predicted the imbalance that would occur in certain commodity markets unless the Community undertook measures to reduce its land under cultivation by at least 5 million hectares. The aim of the Plan was thus to encourage nearly 5 million farmers to give up farming.

However, faced with the increasingly angry reaction of the agricultural community, the Mansholt Plan was reduced to just three European directives in 1972, which concerned the modernisation of agricultural holdings, the retirement from farming and the training of farmers. The 1980s was the decade that saw the first true reforms of the CAP, with the introduction of a quota system on dairy production in 1984, and at last, in 1988 a ceiling on EU expenditure to agriculture.

◊ **<u>The MacSharry reform</u>**

In 1992 the MacSharry reform was implemented to limit rising production, while at the same time to adjust to the trend toward a more free agricultural market. The reforms reduced the levels of support by 29% for cereals and 15% for beef. They also created set-aside payments to withdraw land from production and payments to limit stocking levels, and introduced measures to encourage farmers' retirement and land afforestation.

It is also worth noting that one of the main catalysts behind the 1992 reforms was the need to pacify the EU's external trade partners at the Uruguay round of the GATT trade talks with regards to agricultural subsidies.

◊ **<u>The Agenda 2000</u>**

The 'Agenda 2000' reforms continued the MacSharry process of production limitation, by reducing the support to production. To this end, the reform divided the CAP into two 'Pillars': production support (i.e. Pillar I) and rural development (i.e. Pillar II). Several rural development measures were thus introduced including diversification, setting up producer groups and support to young farmers. Additionally, agri-environment schemes became compulsory for every Member State.

◊ **<u>The Luxembourg 2003 CAP reform agreement</u>**

A 2003 report (Sapir A., 2003) stated that the European budget structure was a "historical relic" and suggested a rethink of the EU policy, redirecting expenditure towards measures intended to increase wealth creation and cohesion of the EU. The report did also suggest that farm aid would be administered more effectively by member countries on an individual basis.

Therefore, on June 26th 2003, EU farm ministers adopted a fundamental reform of the CAP based on the following key-elements, continuing the process of decoupling (see also **Figure 1**):

- <u>Single farm payments</u> (SFPs) which are direct payments even more decoupled from production, in order to fit with WTO prescriptions (however, some limited coupled elements may be maintained in Member States so as to avoid abandonment of production). This scheme is subject to "cross-compliance" conditions relating to environmental, food safety and animal welfare standards. Many of these conditions were already existing either as good practice recommendations or as separate legal requirements regulating farm activities;

- A strengthened rural development policy;
- A reduction in direct payments ("modulation") for bigger farms, in order to finance the new rural development policy with these financial savings. Although the implementation of the modulation concept was facultative through the Agenda 2000, this was made compulsory by the Luxembourg reform;
- Revisions to the market policy of the CAP (e.g. the intervention price for butter is to be reduced by 25% over four years, which is an additional price cut of 10% compared to Agenda 2000; monthly increments in the cereals sector are to be cut by half).

The reform entered into force in 2004-2005 and Member States could apply for a transitional period delaying the reform in their country to 2007. France has chosen to do so, gradually enforcing the reform.

The reform is thus intended to:

- enhance the competitiveness of a sustainable and more market-oriented agriculture;
- stabilise the farmers' income;
- produce high-quality foods which meet the Society's expectations and demands;
- strengthen the negotiating position of the EU in WTO.

This reform reduces the EU budget devoted to agriculture (43% in 2006) and continues the process of decoupling support to farmers from the production, initiated in 1992. This rupture between support and production, besides reducing the EU expenditures to agriculture, aims at allowing farmers to focus more their activity on the market evolutions and their own competitiveness.

Figure 1 summarises the main measures of the CAP as they are within the latest reform (2003). The left boxes represent the first pillar, while the right boxes represent the second pillar. The link between both pillars is created by the modulation scheme. Both pillars have to comply with environmental-friendly practices. In brief, the recent CAP evolution has been to move from the right part of the figure to the left part. In the future, it is expected that the left boxes (second pillar) will become even more important, and that the box "subsidy and export regimes" will gradually disappear.

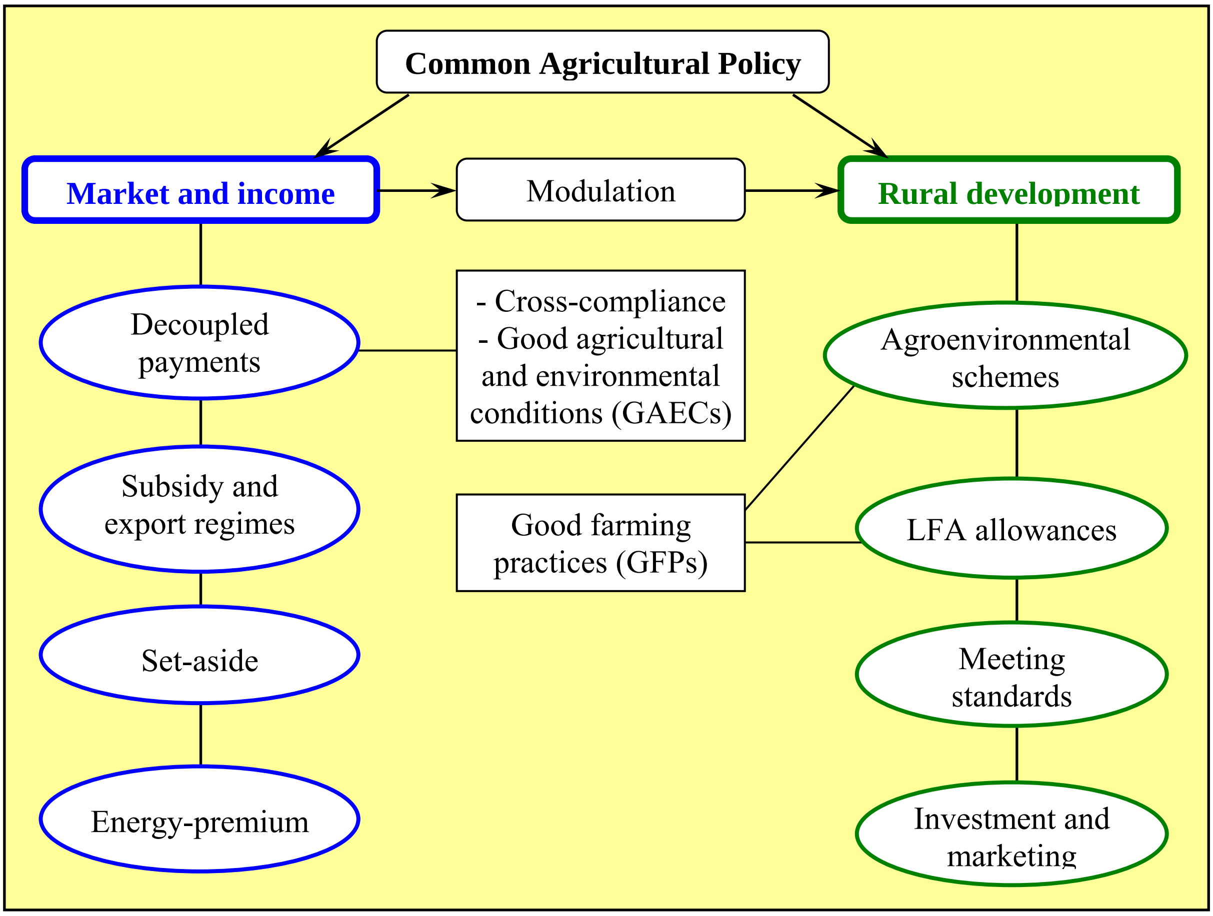

Figure 1: CAP structure (Luxembourg 2003 agreement).

In more details, the main measures within the 2003 reform are the following:

- The introduction of a decoupled payment, the SFP, calculated on the basis of the amount of direct payments received by farmers during the reference period 2000 to 2002 (historical scheme) or being fixed for every farmer within a region (regionalised scheme). In some cases, however, and subject to certain conditions, Member States were able to retain limited coupling, in order to avoid the abandonment of production;
- This SFP is to be conditioned upon cross-compliance with environmental, public-health and animal-welfare standards, and the requirement that all land is maintained in good agricultural condition (GAEC);
- It is agreed on an enhancement of the rural development policy, notably with the help of the modulation scheme;
- The modulation scheme consists of a reduction of direct payments for farms receiving more than € 5,000 in direct payments;
- A financial-discipline measure is introduced in order to guarantee compliance with the agricultural budget set for the period up to 2013;

- Several changes in the CAP market policy are made:
    - cereals: the intervention price is retained but monthly increments will be reduced;
    - dairy sector: reduction in the intervention price of 25% over four years for butter and 15% over three years for skimmed milk powder;
    - extension of the milk quota system until 2014-2015;
    - reform of rice, durum wheat, nut, starch potato and dried fodder sectors;
    - aid for energy crops (carbon credit);
    - a formal undertaking to reform the olive oil, tobacco and cotton sectors;
- Introduction of a new farm advisory system.

◊ **Reform implemented after 2003**

In 2005 EU agriculture ministers announced plans to cut the minimum sugar-beet price by 39% from 2006, over four years. One of the aims of this policy change is to allow easier and more profitable access to European markets for emerging economies.

Other reforms that have been implemented after 2003, or that are still to come, regard tobacco, hop, olive oil, fruits and vegetables, and wine. In brief, all these reforms are in the same line as the 2003 Luxemburg reform: to give incentives to producers to follow market signals, and to introduce cross-compliance.

I.2. Short characteristics of the French agriculture and its strategic problems

Although France consists of metropolitan France (mainland France, the coastal islands and Corsica), the overseas *départements* (NUTS3) (i.e. Guadeloupe, French Guiana, Martinique and La Réunion), the overseas territories (i.e. New Caledonia, Wallis and Futuna, French Polynesia, Austral islands and Adélie Land) and the *collectivités territoriales* of Mayotte and Saint Pierre and Miquelon, only metropolitan France and the overseas *départements* are considered part of the EU.

The area covered by Metropolitan France is 543,965 km2, which makes it the biggest EU Member State. It is divided into 22 regions (NUTS2), 96 *départements* (NUTS3), and 36,564 communes (LAU2[1]). This high number of *communes* means that France is divided into much smaller units than its neighbouring countries.

53.8% of the territory was utilised by agriculture and 3.6% of the workers were employed in agriculture in 2005. The employment figure has largely decreased over the last decades: it was 12.9% in 1970, 8% in 1980 and 5.9% in 1990.

➢ ***Farm structures***

In 2005, among the 545,347 farms accounted in the national Census, there were some 346,500 professional farms over the territory; nearly one-fourth of them having a partnership status. Approximately 5% of these 346,500 professional farms[2] have more than 200 ha (in 2005) and cultivate almost 19% of the overall professional farms' utilised agricultural area (UAA) (**Table 1**).

The steady trend is a continuous increase in farms' UAA and decrease in the number of farms (the number of professional farms decreased by roughly 3% per year between 2000 and 2005), with young farmers' installations constantly decreasing. Although most of the farms are between 50 and 100 ha, **Table 1** shows that there is a large diversity in terms of farm size. This may explain partly why French governments are always reluctant to introduce reforms in such a heterogeneous farming sector, where there will always be a large part of losers

Table 1: Size and UAA share of professional farms in 2005.

	Number of farms		UAA (ha)	
< 5 ha	22,638	6.5%	45,192	0.2%
From 5 to 10 ha (excl.)	15,430	4.5%	113,924	0.4%
From 10 to 20 ha (excl.)	28,599	8.3%	425,380	1.7%
From 20 to 35 ha (excl.)	43,901	12.7%	1,202,906	4.7%
From 35 to 50 ha (excl.)	44,336	12.8%	1,874,622	7.4%
From 50 to 100 ha (excl.)	106,461	30.7%	7,663,734	30.2%
From 100 to 200 ha (excl.)	68,342	19.7%	9,305,103	36.7%
From 200 to 300 ha (excl.)	12,417	3.6%	2,942,263	11.6%
≥ 300 ha	4,405	1.3%	1,772,199	7.0%
TOTAL	**346,529**	**100%**	**25,345,323**	**100%**

Source: Agreste, 2005.

[1] Formerly named as NUTS5.

[2] A farm is categorised as professional if its economic size is at least 9,600 ESU (European Size Units) and its labour use is at least 0.75 AWU (1 annual working unit, AWU, is equal to 2,200 hours labour per year).

Land is more and more rented: 58% of the UAA in France was rented in 1988, against 74% in 2003. One reason is the growing number of partnership farms, which frequently rent land in from the farm partners.
As for labour, farms used on average 2.2 AWU (Annual Working Units; 1 AWU is equal to 2,200 hours) in 2000, most of it (72%) being family labour.

➢ ***Production structure***

Nowadays, professional and non-professional farming is occupying 55% of the national territory (i.e. 30 million hectares out of a total of 55 millions). The UAA is nonetheless not equally distributed over the territory and its relative importance among each NUTS3 levels allows the following outline: North from a Bordeaux-Nancy line is found an intensive agricultural area while mountainous areas (mainly less favoured agricultural, LFA, areas) lie South from this virtual border.
Fieldcrops, including cereals, oilseed and protein crops (COP) is the dominant type of farming of the professional farms, followed by dairy farming, mixed farming (crops and livestock) and vineyards (**Figure 2**).

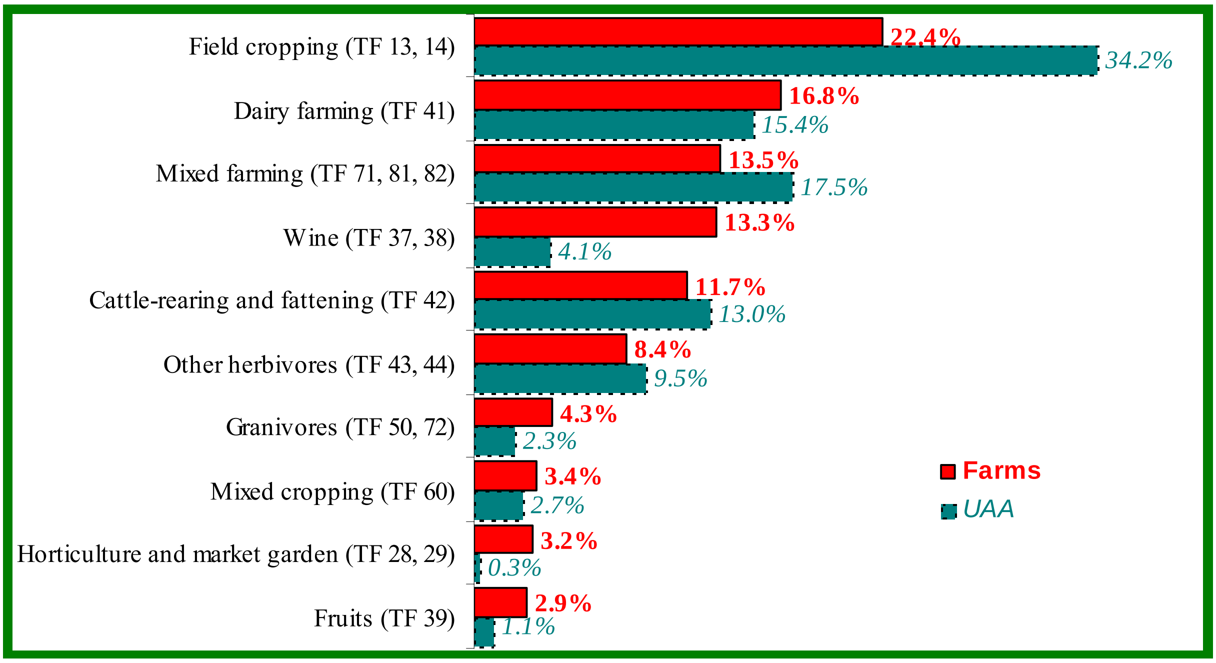

Figure 2: Distribution (shares) of Type of Farming (TF) for professional farms in 2005.

The utilisations of agricultural land have been quite steady over the past decades: arable land accounts about for 66% of the UAA, permanent grassland for 30%, and perennial crops for 4%. **Table 2** shows the figures for professional farms only (arable land accounts for 72% of the UAA). Within arable land however, the share of the area covered by COP has varied over the past years. Firstly increasing as a result of the coupled payments that have been given until recently to these commodities, it declined following the MacSharry Reform, and was compensated by an increase of the fallow lands. On the other side, fodder crop areas remained steady. However, recently boosted by biofuel policy issues, areas sown with rapeseed have increased sharply by 21% since 2004.

As regards livestock productions, France is the second first cow milk producer in Europe (behind Germany). Nevertheless the production has been decreasing over the last two years (by approximately 2% per year). External balance of dairy products (about 2.5 billions Euros) is still positive, thanks to the cheese. Concerning beef meat, France is still the first EU producer with a 19 million cattle-herd and 1.8 million tonnes carcase-weight-equivalent. But herd and production are in constant decrease since 2002. In 2005, a sustained production of cull sheep nearly succeeded to maintain the production of sheep meat compared to 2004. But the sheep herd keeps steadily decreasing (-2.6% in 2006 compared to 2005), making the supply not sufficient enough to meet the demand (importations are thus made from the United Kingdom, Ireland and New Zealand). With nearly 15 million pigs in 2005 (23 million tonnes carcase-weight-equivalent), France is the third producer in the EU (behind Germany and Spain), but this is not without consequences for the environment. While chicken meat production doubled between 1980 and 1998, producers had to adapt themselves to a decrease of the domestic consumption (as well as exportations) from 2002. Although 2005-production is back at its 1993-level, another decrease of the consumption may induce a decreasing production for 2006-2007.

Table 2: Main characteristics of the French agriculture (in 2005), professional farms only.

	Area (ha)
Utilised agricultural area	25,345,323
Arable land	18,342,149
Cereals	9,051,002
Among which Wheat	*5,246,735*
Barley	*1,669,260*
Maize	*1,502,719*
Oil seeds	2,117,542
Among which Rape seed	*1,405,603*

	Area (ha)
Sunflower	*644,828*
Protein crops	323,972
Among which Peas	*239,731*
Sugar beets	379,080
Potatoes	158,074
Annual fodder crops	1,435,222
Sown and temporary pastures	3,123,733
Fallow land	1,266,446
Permanent meadow area	8,065,063
Perennial crops	1,113,702
Among which Vine	*886,470*

	Number of heads
Cattle	19,310,312
Among which Nurse cows	*4,068,096*
Dairy cows	*3,957,858*
Beef calves	*848,793*
Granivores	259,408,323
Among which Pigs	*14,951,345*
Hens and chicken	*186,548,000*
Goats	1,224,759
Sheep	9,096,545
Equines	458,708
Among which Horses	*426,227*

Source: Agreste, 2005.

➢ ***Agri-food industry***

The net revenue of agri-food industries of more than 20 workers increased by 0.9% in 2005. But around two third of the agri-food industries have less than 20 workers and in 2004 these 7,300 small enterprises employed 8% of the workers and produced 5% of the agri-food industry net revenue. This industry is in France highly characterised by big companies (sometimes with a majority of foreign capital). There are around 300 of them in France, employing more than 500 persons each.

But cooperative structures play also a key-role into the agri-food economy. 10-worker (and more) cooperatives employ around 60,000 workers and realised in 2004 a net revenue of 40.6 billion Euros. Cereal and cattle-feed trade is the main activity of these structures.

According to national accounts, the overall agri-food sectors weigh around 3.5% of the national economy (*vs.* 7% in 1980). The decrease in prices of agricultural products, resulting from the implementation of 1992 CAP reform and the Agenda 2000, has been roughly balanced by an increase of the subsidies.

➢ ***Environment***

Beside the production, the environment protection is taking a bigger and bigger place in the agricultural debates related to the management of farming systems. The Society is expressing a stronger concern for environmental issues, and environmental regulations are more and more strengthening. The implementation of action plans within vulnerable zones as well as cross-compliance requirements are quite obvious signs of this. The impact of this changes is especially important for livestock farms for which treating and recycling the effluents induces high investments. Moreover, introducing reasonable farming practices (i.e. working on a reduction of inputs on farms), given the current context and the past trends has become a key-issue. In addition, it is widely acknowledged that the MacSharry Reform induced a drastic change in the distribution of crops and imposed set-aside. Finally, having not only an impact on the environment, the agriculture in France is also presently impacting a lot national landscapes. During the past decades, everyone was convinced that food supply was secured and that the main objective of agricultural policies was to provide food. Context has changed since then, with booming prices of some raw materials, low world stocks, the emergence of an agriculture producing non-food goods and the new weight of the demand of the Society in terms of environment.

However, French objectives in terms of agriculture are not clearer than before. Objectives are never clearly expressed in official documents. But in our opinion, it seems nevertheless that French policy is oriented towards three main points:

- to maintain a satisfactory revenue for farmers in order to keep an important agricultural sector;
- to promote young farmers' installation (there was only one installation for three retirements in 2004);
- to have an agriculture oriented towards the demand of the Society and the provision of environmental benefits.

II. Agricultural market policy (Pillar I)

II.1. CAP in France after the 2003 reform

While section I.1 summarised the measures introduced by the 2003 CAP reform, this section focuses on the way French authorities have undertaken the application of these measures in the country. Issues related to the measures of decoupling, cross-compliance, modulation and rural development are intended to be tackled in the present document.

On June 26th 2003, the agriculture ministers of the EU reached an agreement on an in-depth reform of the CAP based on the Commission's proposals submitted on 23 January 2003. The different elements of the reform came into force in 2004 and 2005.

The key element of the reform, **the single farm payment** (SFP), was set to come into force in 2005, but Member States may delay its application until 1 January 2007 at the latest. France has chosen to do so, gradually enforcing the reform.

➢ ***Decoupling***

The key element of the 2003 reform is a new way to distribute Pillar I subsidies: the single farm payment via the SFPs. From then on, France was facing a sensitive situation: either taking advantage of this new EC rule to proceed to an in-depth reform of French rural legislation, or smoothly conducting changes into the national agricultural model. This latter option has been chosen. Firstly, while the SFP scheme was set to come into force in 2005, Member States were given the possibility to delay its application until 1 January 2007 at the latest. France has chosen to do so, gradually enforcing the reform. Secondly, the smallest possible decoupling reform has been applied.

SFP introduces a fixed aid per eligible hectare whatever the crop produced (except permanent crops, fruit, vegetables and potatoes). Producing is not even a compulsory issue anymore as long as the farmer maintains the concerned hectares into good agricultural and environmental conditions (GAECs). Given the principle of subsidiarity, the choice into the decoupled/coupled rate was given to Member States. In France, the issue was debated during the Council of Ministers held on 18 February 2004 and it has been decided to adopt the highest allowed (by the Commission[3]) rate of coupled payments. This choice finds it roots into (i) the risk of an increase in land abandonment and in abandonment of less profitable agricultural productions (especially in LFA zones) and (ii) the fear of a negative reaction of the farmers towards this in-depth reform. Partial decoupling thus permits to protect the market regulation, as well as spatial planning, in terms of farm structures. Support is thus paid to farmers partly as a single payment and partly as an additional payment as illustrated in **Figure 3**[4]. This figures presents all payments made to farmers in France (the SFP and its components), and for how much the payments are decoupled (decoupled part in pink) and coupled (coupled part in green). The overall recoupling rate in France is estimated as of approximately 30% of agricultural premiums. As shown by Figure 3, livestock premiums have remained the most coupled (in particular slaughter premiums for calves and suckler cow premiums).

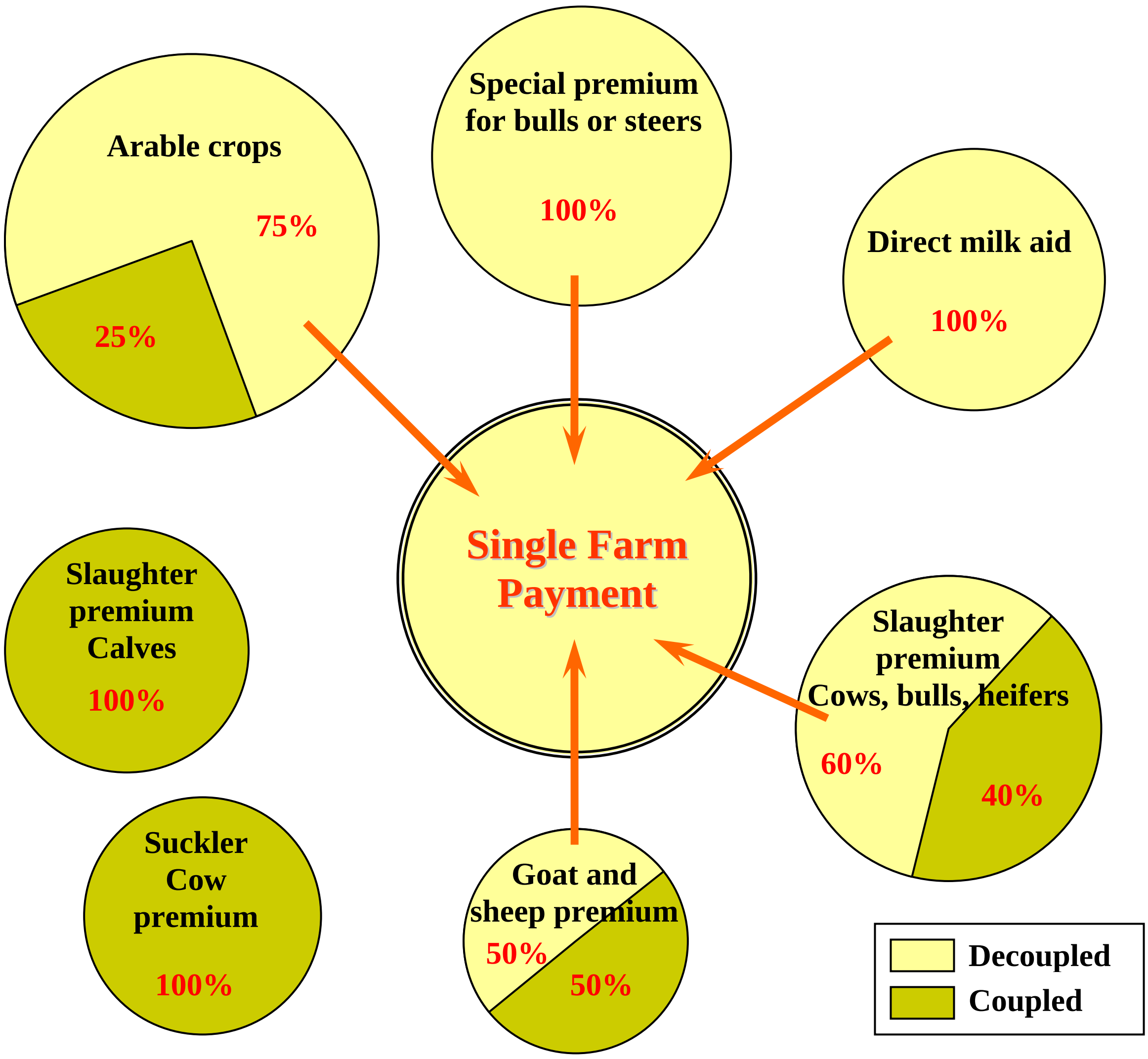

Figure 3: Coupling/Decoupling rates adopted in France while enforcing SFP.

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[3] Art.64 et seq. of council regulation n°1782/2003 of 29 September 2003.

[4] It should be noted that Figure 3 concerns the Metropolitan territory, as aids remain fully coupled in overseas *départements* (La Réunion, Guadeloupe, French Guiana and Martinique), preventing therefore an important rural abandonment in those areas already economically weak.

The overall recoupling rate is estimated as of approximately 30% of agricultural premiums.

Among the three possible decoupling models as explained above (i.e. historical model, regional model and hybrid model, i.e. partly historical and partly regional model), France has chosen to design its decoupling regulation on an historical basis, retaining therefore the way Pillar I premiums were spread over the territory in 2000-2002 (reference period). Again, this was a way of minimising the impact of the reform in terms of adjustments in the farming sector.

In order to have time to enforce this new system, in an as efficient as possible way, France decided to start **implementing SFP from year 2006**.

It is worth mentioning that France has been the more conservative country in terms of implementation of the 2003 reform: i) it has based the SFP on an historical basis, as many other EU Member States; ii) unlike the other countries, it has kept the maximum allowed rates of coupling for all possible crop and livestock payments; iii) it has implemented the reform at the latest date as possible, in 2006, while all other countries implemented it before. In summary, France has implemented the reform in the least constraining way, in order to have the smallest possible impact on its agriculture.

- ***SFP entitlements***

SFP entitlements can be leased out or sold, but transactions are geographically bounded, the EC requiring that the concerned spatial scale should be smaller then the national territory. In France it has been chosen to allow this type of transactions only within the same NUTS3 level. Such transactions are taxed related to the value of each entitlement. In order to discourage entitlement transactions done without land transactions (i.e. speculation) and also to prevent entitlements hoarding by farmers having no real economic activities, France has opted for the highest allowed taxation rate. During the first three years of the SFP implementation (2007-2010), a 50% tax-rate[5] is applied in case of selling an entitlement without the allotted land, the tax-rate being reduced to 30% after 2010' *vs.* 3% with the allotted land. However, any transaction done in favour of newly settled farmers is free of taxation.

It is worth noting that French Authorities have not made use of Art.69 of the Reg.(EC)

[5] It had initially been considered a 90% tax-rate but the proposal was rejected by the Commission.

1782/2003, in which they would have been given the possibility to use up to 10% of the budget that was allowed by the EC for SFP, to proceed with additional payments in favour of specific types of farming, which are important for the protection or the enhancement of the environment or for improving the quality and marketing of agricultural products.

For helping new farmers to settle down (in particular in countries where the historical system of SFP was implemented), the possibility for Member States to create a national reserve of SFP entitlements was introduced within the reform. It is worth highlighting that having such a reserve is the sole measure that a State can take to keep a (slight) control on the management and transactions of payment entitlements. France used this possibility and designed a two-level reserve disposal: NUTS3 reserves, keyed to a national reserve.
In order to constitute the initial national reserve of payment entitlements for assisting new farmers, Member States had the possibility to reduce the level of SFP given to farmers by 3% at most; this means that if a farmer is supposed to receive 100 Euros of SFP based on the reference period, only 97 Euros are in fact given to him/her. Such system was applied in the French situation. Then the reserve can be complemented by entitlements that have not been activated. i) Entitlements attributed from the reserve to new farmers must be activated each year during the five subsequent years of the attribution, otherwise they will go back to feed the reserve. It should also be noted that such entitlements cannot give rise to any market transaction during the first five years. ii) Any payment entitlement which has not been used for a period of three years is transferred to the national reserve. Set-aside entitlements feeding up in this way the national reserve lose their set-aside specificity and can thus be reallocated as arable land entitlements. In addition, all entitlements levied at NUTS3 levels feed the national reserve, while assignments from NUTS3 reserves can be done through two means: either revaluation of pre-existing entitlements, or creation of new ones. But the value of reallocated reserve entitlements cannot, in any case, be higher than the local average value (at the concerned NUTS3 level).
Having a value of SFP entitlements based on an historical level of CAP aids received between 2000 and 2002 is somehow unfair with regard to farmers who had undertaken actions in favour of the environment during the reference period. Therefore, in order to compensate for this unbalanced situation, the national reserve may be used. The effect of new allocated entitlements will come into force at the termination of the agro-environmental payments in order to avoid double payments.

But in most cases the justification of having reserves is to support young farmers, and newly settled ones, by allocating them entitlements on top of those already existing on the farm taken over.

➢ ***Cross-compliance***

A common view is that the CAP has historically promoted a large expansion in agricultural production. At the same time it has allowed farmers to employ unecological ways of increasing production, with serious negative environmental consequences. However, the enforcement of 2003 reform puts a stronger emphasis environment with the compulsory implementation of cross-compliance.

The concept of cross-compliance refers to conditions (in several domains) that farmers have to meet in order to be eligible for public support. This issue has been discussed in the EU since the early 1990s, and various reforms of the CAP have increased the importance of cross-compliance as a policy tool for environmental integration. Cross-compliance aims to contribute to the development of sustainable agriculture and to render the CAP more compatible with the expectations of the Society at large, by enhancing the respect of rules relating to the environment, to public, animal and plant health, to animal welfare, and to good agricultural and environmental practices that limit soil erosion, maintain soil organic matter and prevent land abandonment.

Cross-compliance has become compulsory with the 2003 CAP reform. From 1 January 2005, farmers in receipt of CAP direct payments are required to respect a set of statutory management requirements (SMRs). They also have to meet minimum requirements of good agricultural and environmental conditions (GAECs), and to keep the share of permanent grasslands as it was in 2003. Cross-compliance prescriptions are to be applied on the whole farm (and not only on the subsidised activities/hectares). Initiated for beneficiaries of the first pillar, this approach was extended from January 2007 to beneficiaries receiving payments with regard to eight measures under ‘axis 2’ of the second pillar of the CAP (especially grassland premium, local agro-environmental schemes (AESs), rotational measure, and conversion to organic farming measure).

Cross-compliance covers five pieces of environmental legislation, including the Nitrates, Birds and Habitats European directives. In particular, the SMRs refer to 19 pieces of Community legislation in the areas of: (i) public, animal and plant health, (ii) environment and (iii) animal welfare. Cross-compliance is therefore a means of further enforcing existing Community environmental legislation, promoting the sustainability of EU agriculture through the respect of mandatory standards. It can also be seen as safeguards to counter some potentially negative effects arising from the decoupling of payments.

In brief, Cross-compliance prescriptions are related to three main issues, two of them mentioned above:

- SMRs (Statutory Management Requirements):

  These are already existing EC regulations (19 in total), that are implemented within the French law, in the areas of environment (5 regulations), livestock tagging (4 regulations), public health and food safety (4 regulations), animal health (3 regulations) and animal welfare (3 regulations).

  The enforcement was done on a step-by-step basis: 9 regulations in 2005, 7 in 2006 and 3 in 2007.

- GAECs (Good Agricultural and Environmental Conditions)

  These aim at protecting non-cultivated lands from soil erosion, deterioration of soil structure and worsening of soil organic matter. Although GAEC prescriptions are nationally set up they are also locally (NUTS3 level) completed in order to fit with local stakes and environmental preoccupations.

  GAECs are enforced since 2005.

- Protection of permanent pastures

  This requirement implies that land that was under permanent pasture in 2003 is maintained under permanent pasture.

  This regulation is enforced since 2005.

A cross-presentation of the above elements would show that cross-compliance relates to four main-issues: (i) Environment; (ii) Public, animal and plant health; (iii) GAECs (including permanent grassland issue), and (iv) animal welfare.

As presented in **Figure 4**, France has chosen a progressive enforcement following a three-year plan.

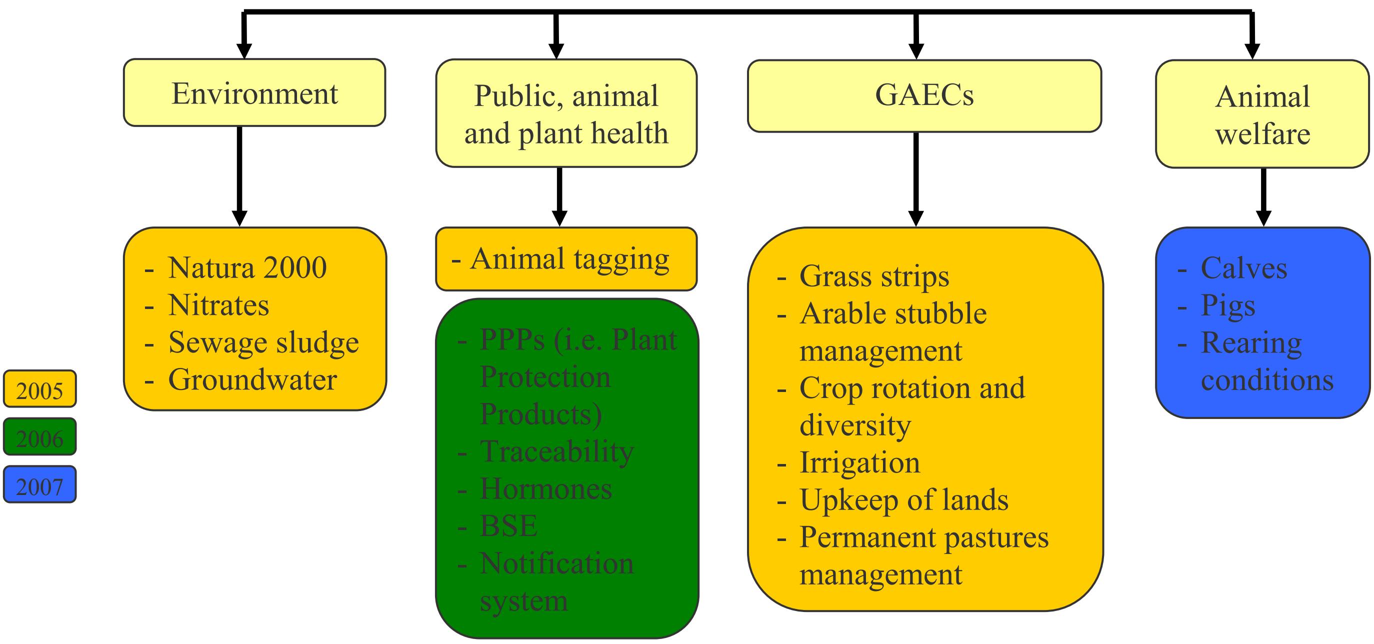

Figure 4: Enforcement schedule of cross-compliance in France.

From a policy-implementation point of view, all farmers in France were provided with leaflets drawn by the Ministry of Agriculture, explaining duties and activities they must comply with in order not to be liable to direct penalties (i.e. reduction in direct payments) . Three executive orders, associated to decrees, were introduced in the French law in order to address Birds and Habitats directives, GAECs, and issues related to controls and penalties. Internal circulars (related to measures and controls) were delivered in the concerned administrative services. Whenever required and necessary, prefectoral orders were designed in order to adapt cross-compliance prescriptions to the local context. This has been particularly done to enforce the Birds and Habitats directives, regulations related to the vegetation cover, to grass strips along rivers, as well as the prescriptions in terms of maintenance of permanent pastures and the minimum level of maintenance.

- *Cross-compliance prescriptions*

For most of cross-compliance EU regulations, the actions required at the farm level were already established and based on previously existing national legislation. In France, cross-compliance implementation has mainly concerned some adaptation of national regulations. **Table 3** presents the SMRs farmers' obligations.

Table 3: Summary of SMRs farmers' obligations as set out in France.

Enforced regulation	Prescriptions
Birds Directive	1: No-destruction of all habitats mapped or designed by the local the local representation of the Ministry of Agriculture at NUTS3 level (i.e. DDAF). 2: Respect of measures related to the concerned protected species. 3: Respect of the procedures of authorization of activities: these procedures are applicable only in the Natura 2000 sites.
Groundwater Directive	All farmers using products tackled by the Directive[6] are concerned. A documentary check is carried out by the competent authorities. The existence of underground water pollution is checked. In case it is found, the concerned farmer is in anomaly only if the two following conditions are met: - Pollution is due to one of the substances aimed by the Directive; - The offence was committed or was noted in the current calendar year.
Sewage Sludge Directive	A contract between the farmer and the producer of sludge should exist, mentioning the condition of use and the conformity with local and national regulations.
Nitrates Directive	Nitrates Vulnerable Zones (VZs) are defined at NUTS3 level. Limitation on organic nitrogen applications (<170kg/ha). Rules for storage facilities. In VZs restrictions on distance of spreading manures near surface water defined at NUTS3 level. Requirement for a spreading action plan. In areas with high nitrate pollution special obligations are applied (e.g. compulsory green cover on barred soil in winter). In VZs requirement for fertiliser plan and register of fertiliser applications. Banned periods for nitrates applications.
Habitats Directive	In Natura 2000 areas authorisation is required before undertaking work likely to impact on the habitat. To be eligible for AESs, farmers must not have been fined for destruction of plant or animal species or their habitats, or for introducing non-native species.
Animal tagging and registration	Requirement for up-to-date register. Requirement for cattle passport. Rules for cattle identification, including eartags.
Plant protection products (PPPs)	Only authorised PPPs may be used. Use must comply with national rules.
Prohibition of use of hormones and other substances in stockfarming	While conducting stockfarming, farmers are forbidden to use substances having a hormonal action. The use of certain substances is strictly controlled.

[6] These are: Plant Protection Products (i.e. PPPs), fuels and lubricants, disinfection and health products, and ammoniacal fertilizers.

Enforced regulation	Prescriptions
Food and feed law	Farm register must list medical treatments, animal feeds, etc. Obligation to follow disease prevention and sanitary requirements. Extra hygiene requirements for dairy and slaughterhouses. Traceability requirement in poultry sector and obligation for egg marking.
Prevention and control of BSE	Prohibitions on use of animal protein as feed. Obligation to notify authorities of a suspected BSE (or TSE) infection and to provide all requested documents if the infection is confirmed.
Control of foot and mouth disease	Obligation to notify the competent authorities of any suspected outbreaks of foot and mouth disease.
Control of certain animal diseases	Obligation to notify the competent authorities of any suspected outbreaks of certain diseases.
Control of Bluetongue	Obligation to notify the competent authorities of any suspected outbreaks of bluetongue.
Animal welfare	Prescriptions are related to (i) the shape of rearing building; (ii) prevention of animal wounds and injuries; (iii) animal feeding and watering; and (iv) protection of outdoor kept animals. Specific conditions are related to pig housing.

Annex IV of Reg. (EC) 1782/2003 identifies four issues related to GAECs (Soil Erosion, Soil Organic Matter, Soil Structure and Minimum Level of Maintenance), for which a number of standards are listed. This annex and these standards have then been used by Member States as the basis for developing more specific and detailed farmers' obligations. In order to define farmers' GAEC obligations, the French Ministry of Agriculture set up a working group. Farmers' obligations were based on previous codes of good farming practices as well as regional rules for the management of set-aside and less favoured areas (LFA) payments. It is to be recalled that out of 25 Members States, 12 only have defined farmers' obligations corresponding to all four main issues as set out in the Annex IV; France is among them.
French farmers' obligations are recapped in **Table 4**.

Table 4: GAEC farmers' obligations as enforced in France.

EC Issues	Farmers' obligations	Control points	Comments
Soil Erosion	1. Implementation of minimum soil coverage (environmental surface) on	1. Implementation of minimum environmental	There has been research into the role of grass

EC Issues	Farmers' obligations	Control points	Comments
	set-aside, pasture and grassland at farm level. The area of this environmental coverage is set as being equal to 3% of the cereal, oilseed and protein area. Small producers are not obliged to follow these rules. 2. Prohibition of burning stubble and crop residues unless authorised.	surface and location of grass strips as a priority along water courses. Presence of a cover during the compulsory periods and maintenance of the environmental covers. 2. Check for evidence of stubble burning or a derogation if relevant.	strips along rivers to limit the erosion of soil and pollution by fertilisers and pesticides. However, it is not thought this farmers' obligation will deal with all erosion problems particularly in areas with severe erosion problems.
Soil Organic Matter	1. Implementation of a minimum environmental surface at farm level is partially dedicated to this problem as well. The area of this environmental coverage is set as being equal to 3% of the cereal, oilseed and protein area. Small producers are not obliged to follow these rules. 2. Prohibition of burning stubble and crop residues. 3. Diversity of crop cultivations.	1. Check that rules for minimum environmental surface have been respected. 2. Check of the evidence of stubble burning or a derogation if relevant. 3. Check at least two crop families or three different crops grown on arable land.	The rules for minimum environmental surface distinguish between crop rotation and monocultures. These farmers' obligations are new in France at the national level.
Soil Structure	1. Rules relating to irrigated crops. Farmers must have a proof of authorisation to extract water for use on irrigated crops. All the farmers asking for "irrigated aids" are concerned by this GAEC.	1. Proof of authorization to extract water and presence of means allowing the quantity of water extracted to be measured.	The farmers' obligation was introduced with voluntary cross-compliance. Farmers' obligations on stubble burning and crop rotation are also considered relevant.
Minimum Levels of Maintenance	1. Rules for maintenance of land in production. 2. Rules for maintenance of pasture. Criteria defined at local level based on stocking density, or obligation for appropriate grazing or mowing regime. 3. Rules for maintenance of set-aside (compulsory or voluntary) 4. Diversity of crop cultivations.	1. Maintenance of cultivated land subject to single farm payment. 2. Check for maintenance of pasture. 3. Check for maintenance of set aside and land not in production. 4. Check at least two crop families or three different crops grown on arable land.	Some of these farmers' obligations are new in France and as such not based on a previous regulation. Aim of farmers' obligations is to avoid invasion of weeds, pets and shrubs. In relation with point 4, specialised systems or monocultures (i.e. when more than 95% of arable land is cultivated with one non-permanent crop) must have winter cover.

In addition, and as presented in **Figure 4**, the protection and the proper management of permanent pastures is part of the GAECs. It is in fact one of the standards for the 'protection of permanent pasture' under the GAEC issue of 'Minimum level of maintenance' as set out by the Annex IV of Reg.(EC) 1782/2003. Its aim is to ensure that land that was under permanent pasture in 2003 is maintained under permanent pasture. Nevertheless, derogations are allowed as long as the Member State takes action to prevent any significant decrease in its total area of permanent pasture (that was not the case of France).

The regulation states that the share of permanent pasture[7] shall not decrease to the detriment of land under permanent pasture by more than 10% relatively to the share for the relevant reference year (2005 in the case of France). In order to respect this rule, Member States have introduced a set of 'trigger levels'. (i.e. the point at which action is taken in order to restrict or prohibit the conversion of permanent pasture). While some Member States require reconversion before a 10% decline is reached (e.g. Germany, Belgium, Latvia), France strictly sticks to EC requirements and requires farmers to reconvert land into permanent pasture once a 10% decline has been reached. In such case, all area converted during the previous three years must be re-established.

A statement has been recently released (in 2007) by the French Ministry of Agriculture which indicated that permanent meadow areas have increased by 44,000 hectares between 2005 and 2007 (8,065,063 ha *vs*. 8,109,165 ha). Therefore, no specific action related to the permanent pasture management scheme is to be undertaken in 2008.

- *Controls*

As regards control issues, a grid of non-compliances exists for each SMR and GAEC. Thresholds are set for all GAECs and for SMRs individually, and used to calculate payment reductions between 1 and 3%. In addition, non-compliances are classified into four categories: "minor", "medium", "major" and "intentional", that can result in a final reduction of 5% and more in case of recidivism. For intentional non-compliance, the reduction can be increased up to 15%. In the case of repeated non-compliance, the percentage of reduction of the aid is multiplied by three. If several anomalies are recorded and repeated, the percentage of reduction of the aid is summed up and cannot be higher that 15%. Once this rate of 15% is reached, the repeated anomaly is considered as intentional and the reduction can reach up to 100% of the aid.

If a farmer refuses to be inspected, the reduction of the aid is 100%.

Controls are carried out on at least 1% of all farmers submitting aid applications. A 5% control rate is moreover applied specifically in relation to bovine identification and registration. While many Member States select the control sample using both a random and risk-based approach, France is only using a risk-based approach (based on the results from the previous year).

[7] The level of permanent pasture is calculated annually using the information provided by farmers in their annual aid application to the SFP.

In conclusion, although it was feared that cross-compliance measures would be difficult to apply due to farming lobby's reluctance, French authorities have managed to implemented them. However, they are still less constraining than in several other EU countries (e.g. Nordic countries).

- ***Modulation***

As already tackled in this document, the implementation of the modulation system is made compulsory by the 2003 CAP reform, while it was a facultative concept in the Agenda 2000.
Modulation is based on the total amount of direct payments. A reduction in direct payments for farms receiving more than € 5,000 aids is applied from 2005, in order to finance the new rural development policy. The reduction rate is yearly increasing according to the following plan:

- 2005: 3%
- 2006: 4%
- 2007 et seq.: 5%

These rates are lower than what the EC initially intended to require, but result from a political negotiation with all Member States.
80% of the collected money is to be returned to the country of origin; it would therefore represent some 270 million Euros in France for the period 2007-2013.
But not all this money would benefit to CAP Pillar II measures as France is willing to use part of it to fund a crisis-management policy tool addressed to agricultural sectors not covered by a Common Market Organisation (i.e. CMO). Pig, poultry, fruits and vegetable productions are therefore concerned by this measure. 1% of the modulation product would be allocated to create that scheme.
In December 2005 the European Council asked that Member States be authorised to transfer to the rural development programmes up to 20% of the CAP aid funding due to them. This was a voluntary modulation, supplementing the current mandatory modulation of 5%. Twice, in November 2006 and February 2007, the European Parliament voted to withdraw this proposal arguing that it might create discriminations between EU farmers and would open the way to "re-nationalisation" of agricultural policy. But after negotiations, the Budgets Committee released this 20% reserve on March 2007. Members States are therefore allowed to apply up to

a 20%-rate modulation. The United-Kingdom and Portugal have used this possibility.

II.2. National actions undertaken in France and implemented without EU co-funding

National aids having a direct influence on the production are very bounded by the Treaty of Rome (Art. 92), in order not to distort the economic competition within the EU. Therefore, measures aiming at supporting the production and using national funds are quite rare in France. Some measures exist that are very locally adapted, and suitable for very specific productions (e.g. aids in favour of the promotion and quality of agricultural products), but their importance is minimal.

Forestry measures are often national actions (but that is not meant to be tackled in the present document) as well as measures related to plant and animal sanitary protection (quite liable to national funds).

From a financial point of view, aids offered by National Interprofessional Offices are among the most noteworthy national actions. One of the numerous National Interprofessional Offices, the *Office de l'élevage*[8] (i.e. national interprofessional office for stockfarming) can be given as a relevant (but not exhaustive) example: it provides national aids through some 50 schemes, each of them being generally custom-tailored to one specific sector (dairy farming, suckler cows, pigs, etc…).

For instance, in 2004, out of a 176 million Euros aid, 32 millions were devoted to cover unexpected natural damages, 22 millions to finance the grant of compensation for discontinuation of milk production, 19 millions to enhance the quality of the products, 13 millions to enhance the promotion of agricultural products, 9 millions to finance the agricultural development, 5 millions to support the investments undertaken to improve livestock buildings. Moreover, 30 million Euros were spent within State-Region contracts framework aiming to address the agricultural development, livestock building investments and the improvement of quality products and practices.

[8] Prior to January 2006, this office was divided into the National Interprofessional Office for dairy products (i.e. ONILAIT) and the National Interprofessional Office for poultry sector (i.e. OFIVAL).

In 2007, O*ffice de l'élevage*'s national aids were mainly devoted to:

- Farmers' organisations structuring a sector around a specific product and market;
- The enforcement of schemes supporting technical services and advices to farmers organised in groups of producers;
- The improvement of genetic selection (cattle, goat, sheep and pig) through breeding programmes;
- The support of agricultural enterprises and industries that had faced economic difficulties due to the breakout of trichina early 2007.

The rendering service is also funded (and managed) by the *Office de l'élevage* as a public service, without any EU financing. The budget devoted to this scheme was, in 2006, of 154 million Euros, of which 90 millions came from slaughter-tax, 44 millions from State aid, 16 millions from the *Office de l'élevage*, and 4 millions from a participatory tax of pig and poultry producers (20€/t.).

III. Rural development policy (Pillar II)

III.1. Historical perspective and main outcomes of the rural development in France

➢ ***Early experiences with rural development policy***

Prior to the 1999 CAP reform, rural development policies have been introduced for the first time in the CAP during the 1992 CAP reform. The main considered measures were at that time mainly oriented toward (i) early-retirement; (ii) agri-environment; (iii) afforestation; and (iv) less favoured areas (LFAs) payments.

Nevertheless, as regards agri-environment, France decided as early as 1991 to enforce the Article 19 of EU regulation 797/1985 (considered as being the first agri-environmental measure at the European level). Four lines were then proposed: the protection of sensitive biotopes, the reduction of agricultural pollutions (due to intensive farming), the prevention of land-abandonment and the protection against forest fires in the Mediterranean coastline. France was indeed a late participant in the application of Article 19 due to the reluctance of the

Ministry of Agriculture to give its support for a policy that, in the eyes of the agricultural community, appeared to impose production limits on farmers, to belittle their role as producers while labelling them as simple gardeners of nature and to implicitly designate them as polluters and bad countryside managers. As a consequence the Ministry of Agriculture paid little attention to this article and did not provide much support to what was considered as experimentation. In a sense, article 19 became in a number of areas a means of accompanying the process of extensification or supplementing farm incomes in LFAs.

The 1992 CAP reform and its accompanying measures coincided more closely with French policy concerns than with Article 19. So, not surprisingly, France played an active role in promoting the drawing up of the Reg (EC) 2078/92. Early-retirement measure aimed at promoting and supporting young farmers' installation, while farmers located within areas presenting a natural handicap (LFAs) were granted with compensatory payments in order to prevent land abandonment. As regards agri-environment, the French Government independently announced that a nation-wide agri-environmental scheme would be set-up, aiming at maintaining a certain level of livestock density in areas threatened by land abandonment: the grassland premium. In addition, other agri-environmental measures were designed: those that applied generally to the whole agricultural area, those that were specific to defined regional zones, and those that were locally targeted. Thus French agri-environmental policy combined the simple top-down grassland premium horizontal measure on the one hand, and numerous zonal and local vertical measures mainly based on bottom-up initiatives on the other hand.

➢ ***Main outcomes of the enforcement of Reg. (EC) 1257/99 in France***

- *Overview of the national application of the EU Rural Development Regulation*

The so-called Pillar II of the CAP was introduced through the enforcement of Agenda 2000 and provides co-funding for a wide range of rural development measures. Pillar II measures were all based on Reg (EC) 1257/99 known as the Rural Development Regulation (RDR), which remained in force until 31 December 2006.

The RDR provided a menu of 22 measures, to which four additional measures were added with the enforcement of 2003 CAP reform. These four measures were however not used in the French programming. Indeed, according to the principle of subsidiarity, the selection of measures incorporated into the rural development plans was up to the concerned Member States, and only measure *f* (i.e. agro-environment) was compulsory.

These 22 measures were grouped into 3 main categories as shown in **Table 5**: measures relating to restructuring and competitiveness of farm holdings; measures targeted at environment and land management; measures specific to rural communities.

Table 5: The three categories of EU RDR measures.

Group 1: restructuring/competitiveness
• Investments in farms
• Young farmers
• Vocational training
• Early retirement
• Investments in processing/marketing
• Land improvement
• Reparcelling
• Setting up of farm relief and farm management services
• Marketing of quality agricultural products
• Agricultural water resources management
• Development and improvement of infrastructure related to agriculture
• Restoring agricultural production potential
Group 2: environment/land management
• Less favoured areas and areas with environmental restrictions
• Agri-environment
• Afforestation of agricultural land
• Other forestry measures
• Environmental protection in connection with agriculture, forestry
Group 3: rural economy/rural communities
• Basic services for the rural economy and population
• Renovation and development of villages
• Diversification of agricultural activities
• Encouragement of tourism and craft activities
• Financial engineering

In its national application of the RDR, France made the choice of implementing:

- a national programme, the National Rural Development Plan (NRDP), considering 17 RDR-measures, covering the whole territory and using nearly 90% of the grant;
- a Single Programming Document (SPD), complementing the NRDP and providing regional aids to regions whose development is lagging behind or that are facing structural difficulties.

Roughly, over the period 2000-2006, France was granted some 6.7 billion Euros by the

EAGGF[9] Guarantee section: 6 billions for the NRDP and 0.7 for SPDs.

Numerous measures of the NRDP were offered to farmers through the CTE[10] mechanism, making this scheme the backbone of the rural development in France to address environmental issues.

Table 6 hereafter presents a tabular overview of the French choice for RDR enforcement.

Table 6: RDR measures implementation in France.

EU	**France**		
RDR measures	**NRDP**		**SPDs**
	CTE	**Other**	
Restructuring/competitiveness measures			
a: Investment in agricultural holdings	X		X
b: Setting-up of young farmers	X		
c: Training		X	
d: Early retirement	X		
g: Improving processing and marketing of agricultural products		X	X
j: Land improvement		X	X
k: Reparcelling		X	X
l: Setting-up of farm relief and farm management services			X
m: Marketing or quality of agricultural products	X		X
q: Agricultural water resources management	X		X
r: Development and improvement of infrastructure connected with the development of agriculture			X
u: Restoring agricultural production potential, damaged by natural disasters and introducing appropriate prevention instruments			X
Environment/land management measures			
e: Less favoured areas and areas with environmental restrictions		X	
f: Agro-environment	X		
h: Afforestation of agricultural land	X	X	
i: Other forestry measures	X	X	
t: Protection of the environment, animal welfare	X		X
Rural economy/rural communities measures			
n: Basic services for the rural economy and population			X
o: Renovation and development of villages and protection and conservation of the rural heritage	X		X
p: Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative income	X		X
s: Encouragement of tourist and craft activities			X
v: Financial engineering			X

The overall budget (EU + national share) allocated to the NRDP was approximately of 14.52

[9] EAGGF stands for European Agricultural Guidance and Guarantee Fund.

[10] CTE stands for *Contrat Territorial d'Exploitation* (i.e. Farming Territorial Contract, described onward).

billion Euros over the 2000-2006 period with a distribution among the measures as shown in **Figure 5**.

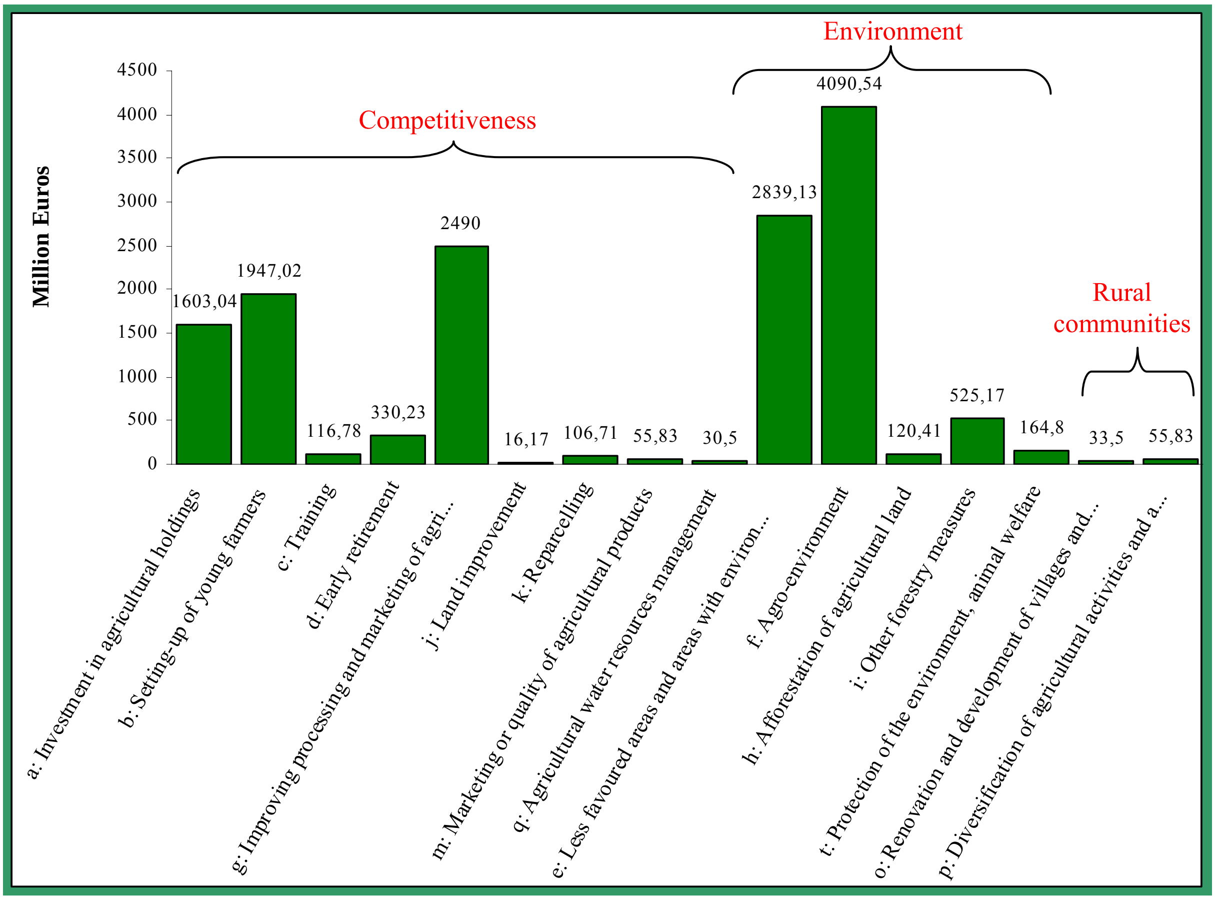

Figure 5: Financial weight of NRDP measures in France between 2000 and 2006.

These figures reflect the main priorities of the French policy in terms of rural development given that measures addressing agro-environment, LFAs and quality account for nearly 65% of the support. Considering measures per group, restructuring and competitiveness measures account for 46% of the NRDP financial weight, environment and land management measures for 53%, while only a poor emphasis is placed on rural economy with a devoted share to such measures of 1% only.

Competitiveness is mainly addressed through measures *g*, *b* and *a* (ie improving processing/quality, young farmers' setting-up and investments), while environment issues are targeted by agro-environmental schemes and LFA premiums (measures *f* and *e*).

Measures *g*, *b*, *a* and *e* were quite standard ones and are rather commonly applied among EU

Member States (and they will therefore not be described in the present document), whereas agro-environment (measure *f*) was addressed through a complex, but innovative, policy instrument: the CTE (implemented from 2000 to 2002), replaced by the CAD[11] (from 2003).

- *The CTE/CAD schemes, description*

The CTE mechanism was a five-year voluntary territorial farming contract. It has been considered by its initiators as a major policy initiative which promoted a contractual approach to public policy. The CTE was associated with an ambitious policy initiative which targeted a very large implementation of the voluntary approach to achieve a sustainable development of the farming sector. It was indeed a single policy instrument with multiple objectives that were (i) to maintain an agricultural sector with many farmers; (ii) to promote quality products and environmental services; (iii) to place farmers in the centre of an integrated rural policy; (iv) to transfer a significant part of the public support from large specialised farms towards labour-intensive multifunctional farms.

Compared to previous rural development instruments, the CTE introduced some new provisions:

- investment aids were conditioned to minimal environmental commitments;
- agro-environmental annual payments were conditioned to the design of a global investment project at the farm level;
- payments were 20% higher than those corresponding to 2078/92 AESs premiums;
- all farmers were eligible.

Every CTE included two components: an ‘economic and employment’ section, as well as a ‘territorial and environmental’ one. Standard CTE contracts were designed at the regional (NUTS2) level from a national global framework. A set of measures was presented in the NRDP, from which regional Authorities picked up and adapted some of them to the local context and regional stakes. Therefore, from 168 agro-environmental measures presented within 25 categories in the NRDP, 2,650 regional measures were proposed to farmers willing to undertake a CTE. Thus, although the CTE was an innovative policy, it is easy to understand that it was a very complex tool to manage, master, and administrate.

[11] CAD stands for *Contrat d’Agriculture Durable* (Contract for sustainable agriculture).

Due to budgetary constraints, and a political reorientation triggered by the nomination of a new Ministry of Agriculture, the implementation of the CTE scheme was suspended in May 2002. However, several farmers' organisations, including the major union (i.e. FNSEA[12]), asked for its continuation, basing their claim on efforts already committed by many farmers and local institutions. It was finally decided to carry on the scheme application providing some adjustments and a new name. A new policy tool was then designed and implemented in 2003 onward: the CAD scheme. This new scheme, as CTE predecessor, was based on five-year voluntary contracts made of two sections, but was much more oriented towards agro-environmental issues than the CTE scheme. The 'territorial and environmental' section was compulsory while the 'economic and employment' issue was an optional part of the contract. In order to avoid budgetary drifts, a ceiling of € 27,000 was set for each signed contract.

Some former measures introduced under the Regulation 2078/92 were still available under the Regulation 1257/99. That was the case of the rotational measure concerning sunflower crops. Moreover, the grassland premium scheme was renewed and it remained applied independently of the CTE scheme. It became the Grazing Agro-environmental Scheme in 2003. The drop in the number of beneficiaries was due to a political artefact. Indeed, in order to boost the number of CTEs, it was allowed to integrate this grassland measure within the CTE scheme.

Both CTE and CAD schemes were multipurpose policy instruments rooted in a global approach of the farm enterprise. Their implementations were based on individualised contracts combining investment aids with agro-environmental payments. Hence, to benefit from investment aids operators had to comply with minimal environmental commitments and to benefit from agro-environmental payments they had to design a global farm-investment project.

- *Lessons from the schemes*

To a large extent, subsidiarity was applied within the CTE/CAD schemes, since the menus of agro-environmental actions and investment aids were elaborated at the regional level. Menus have been designed according to the framework of regional priorities concerning environmental aspects. Farmers' representatives and Chambers of Agriculture in particular actively participated in the design of these menus of agro-environmental actions. Nevertheless,

[12] FNSEA stands for *Fédération Nationale des Syndicats d'Exploitants Agricoles* (a right-wing farmers organisation).

the most specific measures clearly adapted to a specific local context were abandoned during the harmonisation. Only the most general measures adapted to a regional context have been maintained. Despite this point, CTEs/CADs, which can be considered as being custom-tailored for each farm, were well adapted to the local agricultural context since the content of the contracts depended on the demand for public goods at the regional level and on farmers' willingness to enter the scheme.

The relatively low rate of enrolment was partly due to high transaction costs. The level of fixed private costs resulted in the creation of entry barriers that limited enrolment rates. Participation was profitable only for the youngest farmers on the largest farms. Administrative bottlenecks, related to the design and administration of these individualised contracts, were observed in most regions. The allocated administrative resources were revealed to be inadequate and did not take into account the complexity of the scheme implementation. There was no *ex ante* evaluation of public administrative costs, and thus the various issues related to the design, implementation, control and enforcement of the scheme were not anticipated.

In addition, another failure relates to the scheme prescriptions' compliance with the agricultural framework law: most contracts were not connected with any territorial project or even not with the main environmental issues. Many prescriptions were reckoned to be impossible to control and therefore to enforce. At the infra regional level, the geographical distribution of the uptake of environmental measures usually revealed a poor targeting of environmentally interesting areas, for two reasons. Firstly, the design of environmental measures did not take into account the existing data on the seriousness and on the location of environmental problems in most cases. Secondly, the uptake of the schemes mainly depended on the involvement of their beneficiaries in farmers' professional networks, which could provide information and assistance to build and conclude the contracts.

The mid-term evaluation of the NRDP conducted in 2003 revealed that the programme was indeed poorly known from the farmers' community. It had also been acknowledged that the design of the NRDP did not leave enough place for the involvement of territorial authorities, civil society and non-agricultural actors of the rural society.

Given that the *ex post* evaluation of the programme had not been conducted when Reg (EC) 1698/2005 was released, French Authorities built the national new programme on the roots of some recommendations of the mid-term evaluation. The most significant recommendations that guided the national strategy for 2007-2013 were (i) to design less complex programmes allowing further evolutions; (ii) to develop a policy tool to support technical assistance and animation of the programmes; (iii) to improve the relevance and the environmental efficiency of the programmes; and (iv) to promote the local subsidiary in the policy design and to improve the involvement of non-agricultural actors.

III.2. French application of the EU policy for the period 2007-2013

➢ ***The EU framework***

Following the fundamental reform of the CAP Pillar I in 2003, the EU rural development policy has been totally reshaped for the period 2007 to 2013 on the basis of the Commission's proposal of 14 July 2004.

Three major objectives have been set for this new policy, which are:

- Increasing the competitiveness of agricultural and forestry sectors (axis1);
- Enhancing the environment and countryside through support for land management (axis2);
- Enhancing the quality of life in rural areas and promoting diversification of economic activities (axis3).

Additionally, the reform integrates the Community's LEADER Initiative into rural development programmes and also makes an important step in simplification by bringing rural development under a single funding and programming framework, the European Agriculture Fund for Rural Development (EAFRD). In this new design, the three above-mentioned thematic axes are complemented by a "methodological" axis (axis4) dedicated to the LEADER approach (**Figure 6**) which introduces possibilities for innovative governance through local action strategies with a bottom-up approach to rural development.

In this context, the LEADER approach is supporting projects targeted on rural areas as long as they are based on:

- a local development strategy;
- a public/private partnership;
- a bottom-up approach;
- an approach integrating various components of the rural economy;
- a support to innovative measures;

- an enhanced networking of local actors.

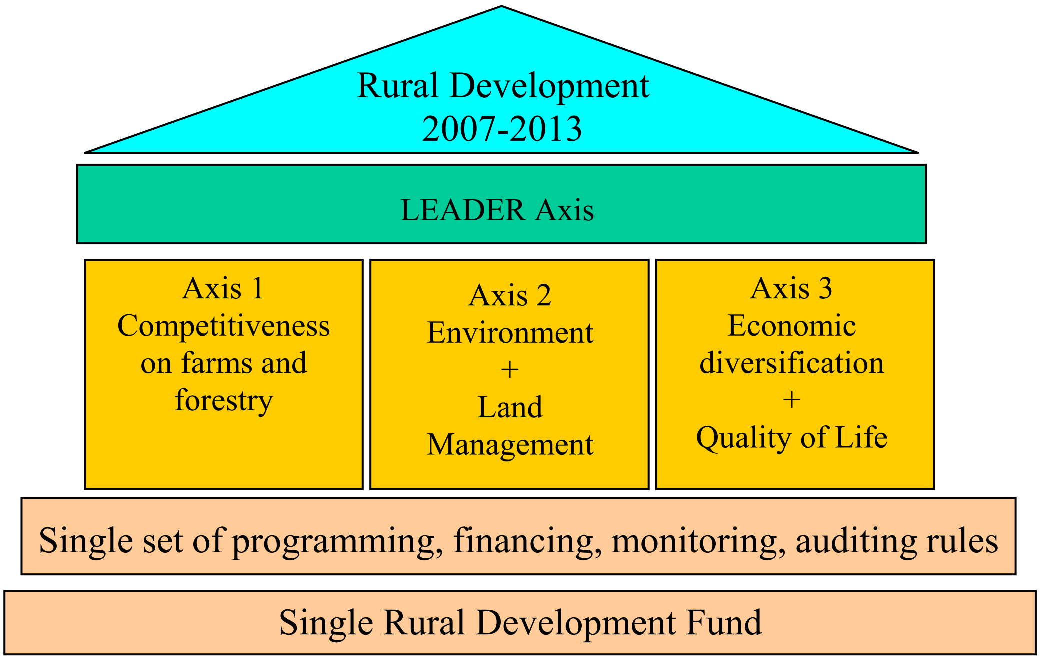

Figure 6: Foundations of the EU Rural Development policy for 2007-2013 as presented by the European Commission.

This approach allows EU co-financing for rural development to focus on commonly agreed EU priorities for the three policy axes, while leaving sufficient flexibility at Member State and regional level to find a balance between the sectoral dimension (agricultural restructuring) and the territorial dimension (land management and socio-economic development of rural areas).
On the basis of the rural development strategic guidelines defined by the Commission, each Member State should build its national strategic plan as the reference framework for their national (or regional) rural development programmes articulating the four axes. These rural development programmes will include measures derived from the ones proposed by the Commission, each of them addressing a specific axis (**Table 8**).

➢ ***French translation of Reg (EC) 1698/2005***

- *Generalities*

The French National Strategic Plan (NSP) was elaborated in close collaboration with institutional structures, as well as with major farmers' unions. Associative bodies were also invited to take part in the discussions. The NSP being elaborated, the National agricultural Authorities have chosen the measures that would be applicable over the territory, among the measures offered within the EU regulation. Given the territorial asset specificities and the flexibility of the regulation, France has chosen to design six rural development programmes for the period 2007-2013 (**Figure 7**):

- One for the Metropolitan territory (excluding Corsica), called RDPH[13];
- One decentralised programme for Corsica, called RDPC[14];
- Four devolved programmes – one for each overseas *départements*[15] – called RRDPs[16].

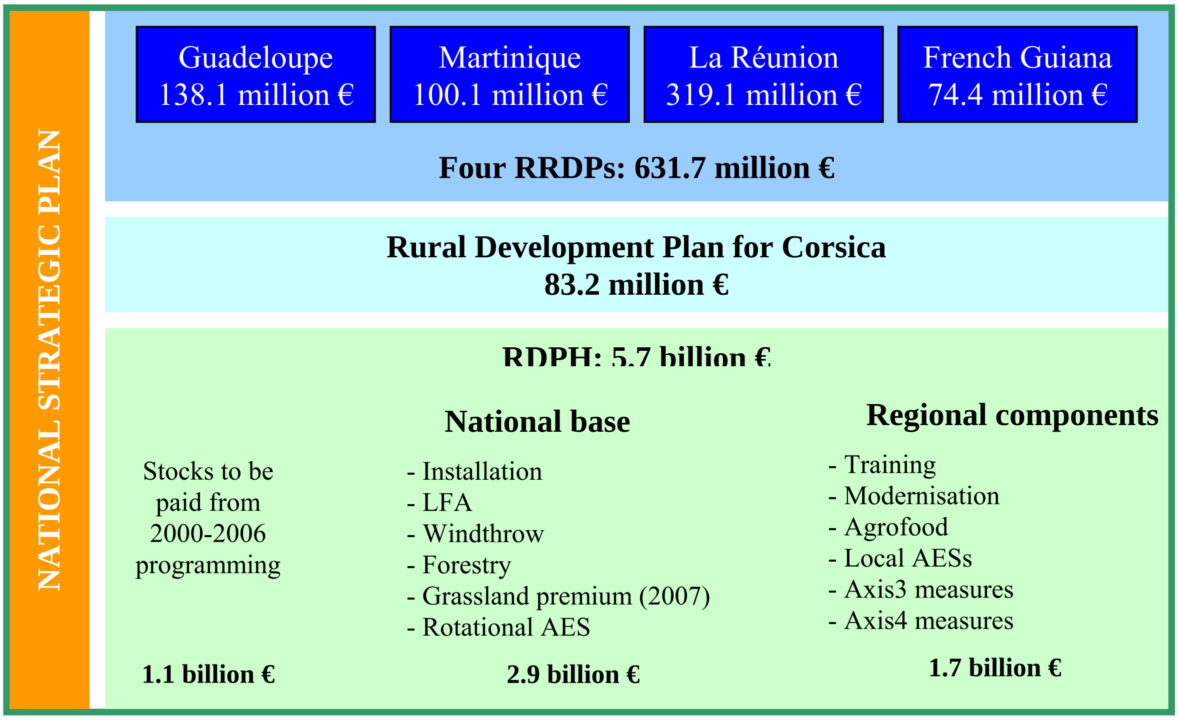

Figure 7: French translation of Reg (EC) 1698/2005 and Community support over the period 2007-2013.

Community funding was fiercely discussed, and from 96 billion Euros (including modulation) proposed in July 2004, the overall allocated budget was reduced to 77.66 billion Euros (including modulation) in the Commission decision of 12 September 2006.

[13] RDPH stands for Rural Development Programme for the "Hexagone" (i.e. Metropolitan France).
[14] RDPC stands for Rural Development Programme for Corsica.
[15] Guadeloupe, French Guiana, Martinique and La Réunion.
[16] RRDP stands for Regional Rural Development Plan.

From this global envelope, France is receiving 6.44 billion Euros over the period, according to the following breakdown:

2007:	Mio € 931
2008:	Mio € 942
2009:	Mio € 899
2010:	Mio € 909
2011:	Mio € 934
2012:	Mio € 921
2013:	Mio € 905
2007-13 total:	Mio € 6,441

- *The Rural Development plan for the Hexagone*

- Description

As regards the French translation of the rural development regulation (as illustrated on **Figure 7**), the RDPH covers the overall Metropolitan territory and is made of measures applicable to all 21 NUTS2 regions (i.e. the National base) on the one hand, and regional components whose design lies under the responsibility of regional Authorities on the other hand. The National base includes LFA premiums, support to farmers' installation (i.e. young farmer premium and subsidised loans), windthrow plan aiming at compensating the forestry sector affected by severe storms in late 1999 and aids for increasing the economic value of forests. Rotational AES (diversification of the crop rotation) is also included in the National base, as well as the grassland premium However, the latter is only maintained in 2007, since due to budgetary constraints it has been decided to withdraw this scheme from the community budget after 2007 and to finance it through national funding (1.5 billion Euros for the period). Indeed, in case of a co-financed grassland premium, payment levels would have been lowered and the State would have lost room for manoeuvre for financing other measures. Nevertheless, 260 million Euros are still to be co-financed for 2007. As an additional example, the early-retirement measure will follow the same model, as the French Authorities decided not to have this scheme co-financed by the EU within the programming. The funding will be made from national budget only, and this in order to focus on a EU-fund use oriented towards younger farmers.

Within regional RDPH, regional components are measures aiming at meeting local stakes, fitting to local specificities.

These measures can be classified under three main categories:

- Those aiming at promoting the economic development (e.g. training, modernisation of farms, agrofood industry, quality products enhancement, etc);
- Those preserving natural resources within pre-identified areas and focused on priority issues (e.g. local AESs, support to organic farming, forest fire prevention);
- Those supporting and developing rural economic activities and employment (axis3).

- Financing the RDPH

From a budgetary point of view, a financial aid of 10.84 billion Euros, of which 5.72 billions are EU co-financed (52.82%) has been allocated to the approved RDPH (**Table 7**).

Table 7: Financial breakdown per axis of RDPH funding in France (2007-2013).

Axis	Total public (in million €)	Co-financing rate EAFRD (%)	EAFRD (in million €)	EAFRD (in %)
Axis 1	3,921.54	50	1,960.77	34.24
Axis 2	5,599.16	55	3,079.54	53.77
Axis 3	696.86	50	348.43	6.08
Axis 4 (LEADER)	520.60	55	286.33	5.00
Technical assistance	104.00	50	52.00	0.91
Total	**10,842.15**	**52.82**	**5,727.07**	**100**

Within the total public funding, the national share (5.1 billion Euros) will be jointly supported by the State and public bodies on the one hand (for about 4.2 billion Euros), and by local governments and other local agencies on the other hand (for about 900 million Euros). The greatest share (52%) of this budget will be allocated to the enhancement of the environment (Axis 2) and 34% to measures increasing the farms' competitiveness.

To that, additional funding (non EU co-financed) will be provided for a total of 2.9 billion Euros, mainly oriented towards the grassland premium (included in Measure 214).

Rural development financings will be mainly devoted, within the RDPH, to structuring actions for agriculture, forestry and rural areas.

Table 8 hereafter presents this breakdown, with the additional non EU co-financed funding, at the RDPH measure level, thus allowing a comparison with the previous programme implementation (i.e. the NRDP, previously described in section III.1 and illustrated on **Figure 5**).

Table 8: Financial breakdown per measure of the 2007-2013 RDPH, including additional funding (in million Euros).

Axis	Measure	Public funds	Private funds	Total	Additional national funding (top-up)
1	111-training	121.70	22.94	144.64	35.00
	112-setting-up of young farmers	1,157.00	0.00	1,157.00	70.00
	113-early retirement	42.13	0.00	42.13	0.00
	114-use of advisory services by farmers and forest holders	not implemented in France			
	115- farm management, farm relief, forestry and farm advisory services	not implemented in France			
	121-modernisation of agricultural holdings	1,219.49	2,012.47	3,231.96	390.00
	122-improving the economic value of forests	57.16	53.27	110.43	0.00
	123-adding value to agricultural and forestry product	480.20	1,145.94	1,626.14	95.00
	124-cooperation for development of new products and processes	9.12	1.38	10.50	5.00
	125-forestry and agricultural infrastructures	113.92	29.30	143.23	93.00
	126-restoring agricultural production potential damaged by natural disasters	672.91	134.58	807.49	0.00
	132-support to farmers participating in food quality schemes	12.45	2.08	14.52	7.00
	131-helping farmers to adapt to demanding standards	not implemented in France			
	133-support to producer groups for information and promotion schemes	35.46	17.32	52.79	18.00
	Total axis 1	**3,921.54**	**3,419.29**	**7,340.82**	**712.70**
2	211-natural handicap payments to farmers in mountain areas	2,856.89	0.00	2,856.89	0.00
	212-payments to farmers in areas with handicaps, other than mountain areas	572.05	0.00	572.05	0.00
	213-Natura 2000 payments and payments linked to Directive 2000/60/EC	not implemented in France*			
	214-agro-environment	1,641.62	0.00	1,641.62	1,839.00
	215-animal welfare payments	not implemented in France			
	216-support to non-productive agricultural investments	12.58	0.53	13.11	8.00
	221-first afforestation of agricultural land	7.71	3.10	10.80	7.00
	222-first establishment of agroforestry systems on agricultural land	not implemented in France			
	223-first afforestation of non-agricultural land	1.65	0.66	2.31	0.00
	224-Natura 2000 payments	not implemented in France*			
	225-forest-environmental payments	not implemented in France			
	226-restoring forestry potential and introducing prevention actions	465.23	133.48	598.71	10.00
	227-support for non-productive forestry investments	41.43	5.04	46.48	15.00
	Total axis 2	**5,599.16**	**142.81**	**5,741.97**	**1,879.00**

Axis	Measure	Public funds	Private funds	Total	Additional national funding (top-up)
3	311-diversification of farms into non-agricultural activities	57.78	53.57	111.35	16.00
	312-support for the creation and development of micro-enterprises	41.48	32.43	73.91	21.00
	313-encouragement of tourism activities	107.27	70.83	178.10	70.00
	321-developement of basic services for the economy and rural population	103.70	61.85	165.54	38.00
	322-village renewal and development	47.72	0.00	47.72	0.00
	323-conservation and upgrading of the rural heritage	236.62	55.08	291.70	135.00
	331-training and information for economic actors operating in the fields covered by axis3	14.25	0.92	15.17	2.00
	341-skills-acquisition and animation	88.05	13.47	101.52	27.00
	Total axis 3	**696.86**	**288.15**	**985.01**	**309.00**
4	411-competitiveness	25.26	23.56	48.82	0.09
	412-environment and management of rural areas	35.96	1.33	37.29	0.40
	413-life quality and diversification of the economy	366.55	185.69	552.24	3.59
	421-cooperation	23.90	7.29	31.19	0.00
	431-running costs, skills and animation	68.92	11.46	80.39	1.05
	Total axis 4	**520.60**	**229.32**	**749.92**	**5.13**
Total axes 1,2,3 and 4		**10,738.15**	**4,079.57**	**14,817.72**	**2,905.83**
	511-technical assistance	104.00	0.00	104.00	1.18
GRAND TOTAL		**10,842.15**	**4,079.57**	**14,921.72**	**2,907.01**

: Measures non applicable via a Leader approach through Local Action Group (LAG) strategies.

* : Natura 2000 areas are taken into account within axis 2 and axis 3 measures.

In **Table 8**, what is meant by “public funds” are EU and National contributions.

As for “private funds”, they are understood to be undertaken through a LEADER approach. Indeed Axis 4 (LEADER) is placing a specific emphasis on public-private partnership. In such a case, private actors can be associations, private enterprises, cooperatives or representatives of local chambers (e.g. agriculture, industry). The column devoted to private funds indicates the forecasted financing that such private actors would grant (given that private funds cannot raise EAFRD co-financing), as well as public funds that cannot raise EAFRD funds. For instance, in the case where the maximum share of public aid for a project is of 80%, EAFRD will co-finance 55% of these 80%, which means 44% of the project total cost. The national counterpart enabling EAFRD funds will be 45% of these 80%, which means 36% of the project total cost. The remaining 20% of the project total cost, although public funded, not leading to EAFRD co-financing, is considered as private expenditure.

- Comparison with the 2000-2006 programme (NRDP)

Regarding the financial components of NRDP measures financial share (i.e. previously described in section III.1 and illustrated on **Figure 5**), greatest budget shares were devoted to investments in agricultural holdings, LFA payments, agro-environment, added value of agricultural products and setting-up of young farmers. Nevertheless, the ranking between the two programmes (NRDP and RDPH) is different, showing a different policy-orientation (**Table 9**).

Table 9: Comparison of budget weights of the most finance-demanding measures between NRDP (Reg (EC) 1257/99) and RDPH (Reg (EC) 1698/2005) in France.

Top-measures (NRDP identification / RDPH identification)	**Budget rank in the NRDP**	**Budget rank in the RDPH**
f-Agro-environment / *214*-agro-environment	1	3
e-Less favoured areas and areas with environmental restrictions / *211*-natural handicap payments to farmers in mountain areas	2	2
g-Improving processing and marketing of agricultural products / *123*-adding value to agricultural and forestry product	3	4
b-Setting-up of young farmers / *112*-setting up of young farmers	4	5
a-Investment in agricultural holdings / *121*-modernisation of agricultural holdings	5	1

From a general viewpoint, the RDPH is more in line with the scope of a continuity of the previous programme (NRDP) than with the scope of a real change of rural development policies in France. Many actions that were undertaken within the previous programming are renewed in the RDPH, however integrating mid-term evaluation lessons. Of course this continuity of actions fully complies with EU strategic orientations, but it also reflects the defensive approach of the agricultural sector towards rural development. Although the Community support is reduced by 16% between the two programmes, the greatest part of the aids is focused on main measures (modernisation, installation and LFA) whose major objective is to support the agricultural sector but which do not prepare the rural areas to face future economic, social and environmental challenges.

As the financial share for axis 3 is at the minimum level required by the Commission (10%)[17], it shows the relatively low importance given to non-agricultural actions and to actions in favour of the development of rural areas.

- *Regional Rural Development plans (RRDPs)*

Bio-physical and economic specificities of Corsica, led the French Authorities to design a proper rural development plan for the island. This plan will focus on the enhancement of the competitiveness of the primary sector and the management of rural areas taking into account the land-use and land-tenure (sensitive) issues. Sent on 21 June 2007, the RDPC proposal has still not been validated by the Commission.

In Guadeloupe, the RRDP will consider the local economy mainly based on agriculture and tourism as well as the improvement of the public sectors (heath, education and social work), pressure on land and environmental risks. The proposal was sent to Brussels on 30 July 2007, and the EC approval about the RRDP for Guadeloupe is still awaited.

In Martinique, the programme will focus on a balanced rural territory along with the enhancement of the competitiveness and the quality of agricultural and forestry products taking into account land problems that may exist (pressure on land and environmental risks).

Within the RRDP for Martinique (approved by the Commission on 28 November 2007), a total public grant of 146.6 million Euros is to be attributed, among which 100.1 from the EAFRD (**Table 10**).

Table 10: RRDP for Martinique budget, and EU share.

Axis	Total public (in million €)	Co-financing rate EAFRD (%)	EAFRD (in million €)	EAFRD (in %)
Axis 1	107,102,138	65	69,616,390	69.55
Axis 2	20,323,263	80	16,258,610	16.24
Axis 3	5,877,077	75	4,407,808	4.40
LEADER	9,189,589	75	6,892,192	6.89
Technical assistance	3,900,000	75	2,925,000	2.92
Total	**146,392,067**	**68.38**	**100,100,000**	**100**

[17] This figure is correct although it is not reflected by **Table 7**. This table presents figures with Axis 4 considered as a full axis. Indeed, as detailed in **Figure 6**, the LEADER approach is integrated in the other three axes. By contrast, including Axis 4 in Axis 1, 2 and 3 gives the following share (that was presented to the Commission): Axis 1: 35%; Axis 2: 54%; Axis 3: 10%; Technical assistance: 1%.

As for La Réunion, its economy is much oriented towards services. The share of the agriculture-related economy has decreased but its social and environmental role is still quite important for a sustainable development of the island. Therefore the Réunion-RRDP is considering the four major environment stakes, which are: water, soil, biodiversity and landscape. The programme has been recently approved by Brussels and the official notification is ongoing. This RRDP will be receiving a 514.4 million Euros public as support, among which 319.1 millions from the EAFRD (**Table 11**).

Table 11: RRDP for La Réunion budget, and EU share.

Axis	Total public (in €)	Co-financing rate EAFRD (%)	EAFRD (in €)	EAFRD (in %)
Axis 1	378,234,167	60	226,940,500	71.12
Axis 2	69,533,333	75	52,150,000	16.34
Axis 3	36,893,167	60	22,135,900	6.94
LEADER	27,896,000	60	16,737,600	5.25
Technical assistance	1,893,333	60	1,136,000	0.36
Total	**514,450,000**	**62.03**	**319,100,000**	**100**

French Guiana, contrary to the other French overseas *départements*, is not an island and, among other specificities, presents 90% of its area under tropical forest. The Regional programme will consider land-use issues, as well as geographic and rural characteristics of the area. The RRDP for French Guiana was sent to the Commission on 29 June 2007 and is awaiting for a decision.

III.3. National instruments supporting rural areas

➢ ***Generalities***

National policies for rural development are already widely implemented through EU co-financing as presented in the previous sections. Nevertheless, as there is almost no obvious risk of distorting the economic competition within the EU by designing national instruments supporting rural areas (as long as they have no impact on the production), there exist measures elaborated on public (and even private) funds in France, with no EU co-funding.

Drawing an exhaustive list of those measures France-wide would be almost impossible, as they

were, for most of them, locally designed and implemented with no national centralisation of the information.
That was particularly the case with agro-environmental measures (promoting landscape and biodiversity issues) during 2000-2006 period, and even before. These were most of the time financed by Local Governments (NUTS2 or NUTS3 Authorities) and implemented through the channel of Chambers of Agriculture, Regional Nature Parks or Environmental Associations. In Calvados (NUTS3) for instance, 1,500 kms of hedgerows were planted between 1986 and 2005 by some 3,200 agricultural and non-agricultural beneficiaries. It represented an overall budget of € 3,070,000. Such actions existed in almost all French regions, where local Authorities were paying a specific attention to the maintenance and the protection of the regional cultural identity (hedgerows, ponds, spinneys, etc).

EU funds were initially not available for such actions in the 80s, nor were Community rural development policies. Rural development funding under Reg (EC) 2078/92 and then Reg (EC) 1257/99 was hardly accessible to local governments. Moreover, being pretty much under poll pressure (six-year electoral mandates) the local and regional Authorities were not willing to apply for EU funds (from 1992), which are known to be difficult to access due to heavy administrative burdens. Therefore, local governments they had preferred to design smaller-scale agro-environmental measures, on own local funds, but with bigger assumed environmental (and territorial) impacts. This multiplicity of actors, acting in the same way on similar issues but through different policy tools (EU policy, National policy, Local policy), could have been seen as the root of complexity that could have confused the farmers willing to undertake agro-environmental actions related to hedgerows plantation, ponds rehabilitation or spinneys maintenance.

Due to a lack of information, no one can say what the future (under the 2007-2013 programming coming into force in 2008) of those regional and local policies will be, given that NUTS2 and NUTS3 Authorities were asked to actively take part into the funding and the design of the national RDPH through its regional components.
The grassland premium lying under the RDPH National base has been previously given as an example of top-up measures, and reasons for not requiring Community support has been underlined in page 38 of the present document.

➢ ***The example of the PMPOA scheme***

As an additional example, France is enforcing a national policy, with no EU co-financing, since 1994 aiming at reducing agricultural pollutions: the PMPOA[18]. This investment aid scheme, targeted to livestock farmers, aimed at enabling those (located on nitrate vulnerable zones) to adapt their equipment and working practices for the purpose of better environmental protection in general and water protection in particular. The programme was therefore designed in two parts: improvement of livestock buildings in order to better control the composition and the quality of sludge and slurry on the one hand, and improvement of agronomic practices on the other hand.

37,500 farmers benefited from this aid during the first PMPOA programming (1994-2000).

A reshaped version of the scheme (i.e. PMPOA2) was implemented from 2002 until 31 December 2006 (this end date being set in order not to overlap with cross-compliance). Although non EU co-financed, PMPOA2 had to be approved by the Commission before its implementation. Indeed, the scheme was considered as a national derogatory measure as it provided farmers support for complying with the regulation (Nitrate Directive). This derogation was granted until 2006.

With an average aid of € 13,000 per farm, nearly 22,000 farms were engaged in the programme by late-2005. Total committed public funds were in total 281.3 million Euros (2002-2005 period), 50% of which were provided by water supply agencies[19], 32% by the State and 18% by local and regional Authorities. 2006 figures are not known at present but some 33,000 applications are expected to have been submitted. If this is true, that would permit to go beyond the initial declared objective of 42,500 farms involved within the scheme between 2002 and 2006.

The overall PMPOA schemes (from 1994) have been in fact considered like a modernisation of stockfarms rather than like a national environmental policy tool. The programmes, having been much more focused on upgrading (or even constructing) buildings for livestock rather than on improving agronomic practices (even though the programme was meant to do so), had proved

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[18] PMPOA stands for *Programme de Maîtrise des Pollutions d'Origine Agricole* (Programme to control pollutions of agricultural origin).

[19] Water supply agencies are public bodies, with financial independence, operating under the supervision of the Ministries of Environment and of Economy and Finance. They are managed by an administrative board that includes the various water users.

to be poorly efficient in reducing nitrates originating from farm production. Indeed, the lack of improvement of agronomic practices, jointly with the geographic spread of beneficiaries, induced almost no result in terms of nitrate decrease and water pollution reduction over the targeted watersheds. The issue of spiralling costs has been also questioned, given that in most cases a reduced number of livestock units would have appeared like a less costly, and a more environmentally efficient, policy.

Such an alternative policy would have nevertheless been obviously refused and fiercely rejected by the agricultural actors, showing once again the power of the agricultural lobby in orienting, modifying and designing national environmental policies.

IV. Conclusions

◊ **The CAP evolution**

The 2003 CAP reform had been presented to the French farmers as a policy assuring them a stable perspective until 2013. Nevertheless, pressures for reforms will obviously come from different ways. Depending on WTO further evolutions and agreement, adjustments may be deeply needed. Even without an agreement, the evolution of trade rule jurisprudence suggests that many of CAP disposals may be disputed by third countries (as this has been the case for the sugar sector).

France (and Spain) remain the most in favour of a strong CAP Pillar I but it seems that these countries are not realising that this latter will benefit more and more to New Member States.

Many are criticising the CAP EU budget (which accounts for approximately 40% of the whole EU budget) but CAP expenditures will not represent more than 0.4% of the European GNP by 2013. Given the specificity of the agricultural sector, as well as disagreements regarding the CAP financing, the idea of a less common CAP does not obviously sounds like an irrelevant issue (i.e. Members States willing to support their farmers should do it using more of their national funds).

With regard to the protection of the environment and the CAP Pillar II, having a "greener" CAP with support more focused on the environment and natural resources, is indeed quite difficult to implement successfully. Between non-constraining prescriptions and precise measures (with a significant impact on the environment), but implying an overload of paper work, the choice is difficult to make. Although the French Authorities acknowledge that the CAP should be "greener", the national challenge lays into the way to design a greener CAP without compromising the production.

Therefore the CAP in its current design will most obviously not remain after 2013, and by then reforms may even be undertaken. The impact of this policy on market orientations and support to farm incomes will be weakened and might be reduced only to the support of rural development and the maintenance of landscape and environment. This is of course an extreme viewpoint and that is obviously not the perspective the French government which is ready to lobby on for their farmers.

A common view is also that the CAP has traditionally promoted a large expansion in agricultural production. At the same time it has allowed farmers to employ unecological ways of increasing production, such as the indiscriminate use of fertilizers and pesticides, with

serious negative environmental consequences. However, the re-focusing of the payment scheme following the 2003 reform lays emphasis on the consideration, by the agricultural policies, of the environment and of the Society's demands by the agricultural policies. This imposes strict limits on the amount of nitrogenous fertilisers which can be used in vulnerable areas. Strict environmental requirements must also be observed to maintain any subsidy payments. Nevertheless, given the decrease in EU-funds for rural development, the national policy will have to be more oriented towards local and regional Authorities for additional funds and a better consideration of local context assuring more efficient rural development policies.
As regards the CAP "health-check", agricultural authorities, as well as the profession, received the project with aversion and despite political issues they obviously all agree for maintaining a certain level of entry barriers and a constraining regulation (although the specificities of such a regulation are not clarified). The Commission presented its CAP health-check project on last 20 November, and whereas the focus is set on "new environmental challenges", the absence of questioning regarding the CAP economic orientation can be noticed. It is becoming more and more important to have an agricultural policy oriented towards environmental provisions if agriculture is willing to recover some legitimacy in the Society's eyes.

◊ **<u>Opinion on the French way</u>**

From the French side, the authorities juggle with priorities nearly contradictory (to enhance the consideration of the environment while maintaining a strong Pillar I) and in the medium-term it is more likely that France will continue juggle this way and then will restrain Pillar I adjustments, highlighting at the same time measures in favour of the environment. Constraining measures would be accepted providing that compensation through Community funds can be considered.
From an environmental point of view, while the set-aside scheme is about to be withdrawn, it may be relevant to implement a similar measure, such as ecological regulating areas.
Moreover, beside the modulation (at a rate of 13% by 2013), it could have been suitable to have an implementation of Article 69 (Reg (EC) 1698/2005) in France in order to enhance environmental-friendly (and quality-friendly) agricultural production systems.
To a worldwide extent, the FAO annual report newly released on 15 November 2007 is also meeting these points.
In some of the most rural areas of the French territory (such as LFAs), it seems that only a

reorientation of aids towards the remuneration of social and environmental services, provided by a high environmental value agriculture, would secure the durability of agriculture in those areas.

It is acknowledged that premiums related to the rural development regulation, as well as the decoupling rates France has chosen (particularly suckler cow and goat&sheep premiums), work for the enhancement of the environment and limit the risk of land abandonment in some rural sensitive areas. Nevertheless, the French way of implementing the EU rural development regulation, with finally few fundamental changes compared to the previous programming, might not have been the most suitable one to achieve goals such as rural employment and stabilisation of the rural society. Indeed, only a small place (although increased since the 2000-2006 period) is left in the RDPH for local actors, associations, and representatives of the society, revealing therefore that agricultural administrations are still not ready to transfer part of their power to these actors. It thus questions the ability of agriculture to address non-agricultural issues of the countryside.

◊ **France's attitude towards CAP**

France has always benefited from the CAP (France is a net contributor to the community budget but the greatest part of EU money is going back to France is through CAP subsidies) and fears the risk for an erosion of the agricultural budget. That might explain the French resistance to accept successive reforms. France has nevertheless eventually accepted them, trying to minimise their negative effects on the agriculture and on the farmers who are benefiting most for EU subsidies (ie TF 13, 14).

Besides, French Authorities are aware that, within the new EU context (EU-27), it will be impossible to keep the line as it used to be and that deep evolutions should be necessary. But within the progressive process, France will obviously keep looking for a long-lasting enforcement in order to minimise negative effects on its agriculture (especially on field crop, dairy cow and beef cattle farming types). It is therefore more probable that France will try to protect the CAP Pillar I and thus will try to slow down the evolution of that Pillar; the aim being to enforce acceptable reforms for the most subsidised farmers, to keep a strong agricultural sector and to maintain the level of EU budgetary return via the CAP as it is.

To a global extent, Common Agricultural Policies were, since their early beginning, designed for and enforced by the agricultural actors. But nowadays, the socio-economic context is more and more changing and the demands of the Society are constantly increasing as regards agriculture. It is known that France’s main goal has always being to maintain the level of EU CAP subsidies as high as possible, and that could explain France’s resistance to CAP reforms. And while such status quo can be allocated to the enduring ability of dominant farm associations and farmers’ unions to monopolise the definition and implementation of agricultural policy, some have attributed the poor transformative capacity of the French State to the weak state thesis (cf. Roederer-Rynning C., 2007).

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